

tary notify the Governor we would like to have her up here at 2 o'clock Monday at this hearing. That is Governor Miriam A. Ferguson.

Senator Sanderford: I would like to remind the Senator from Coleman that the message sent up by the Governor did not make any direct charge of shortage and fraud and those things. That message just called to the attention of the Senate certain information, and the second message recited the authority for that. It left it with the legislative body to proceed as they saw fit, and the Senator from Coleman was the man that made the motion that we go into this matter and go into it thoroughly, and it is completely out of order to summon the Governor up here as a witness.

Senator Woodward: I am not summoning her. Instead of having her summoned I was making the request that she come.

Senator Sanderford: For what purpose?

Senator Woodward: To be interrogated as any other witness, just like all other governors of the State have appeared before committees.

Senator Sanderford: You have her information all set out in writing.

Senator Woodward: I want to see where she got it. You don't want to deny me the right to have the Governor of the State come before the Committee as all governors have in the past?

Senator Sanderford: Is that right?

Senator Woodward: Certainly. I have never known one that didn't come before a committee.

Senator Hornsby: I raise the point of order, Mr. Chairman, that the motion to adjourn is not debatable.

The Chair: We don't hold strictly to the parliamentary procedure here, Senator.

Senator Woodul: I think if anybody has anything to offer that it ought to go in the record. However, I think that we ought to try to get this hearing done as quickly as possible. In the language of Senator Pink Parrish, "Let's get something in here; if there is any blood and thunder, let's produce it and get done with it."

The Chair: The only thing I was interested in was not to waste tomorrow, if this hearing was going on. I think I will put Senator Pace's

motion first; it came in the shape of a motion to recess until Monday morning, and the substitute is to adjourn until tomorrow morning. The Chair doesn't want to show any disposition in this matter, but I would like for the substitute to prevail. Let's call the roll. Here is what I want to say — — —

Mr. Purl: Mr. Chairman.

The Chair: Mr. Purl.

Senator Purl: Here is what I want to say, if there is not going to be a quorum here tomorrow, let's find it out now by unanimous consent; let's ask those here how many of them will be here tomorrow if we adjourn until then, and if there is not going to be a quorum here then, let's put it off until Monday.

Senator Holbrook: The motion was made by the Senator from Coleman that the Secretary of the Senate be requested to ask the Governor to come up here as a witness on Monday at 2 o'clock.

The Chair: I heard the Senator make that request, and I think the Secretary will comply with it. I will ask him to.

Senator Woodward: The fact that we will recess this Committee until Monday won't mean that we won't be performing our duty as far as the State is concerned, because there are many things that we could all be doing tomorrow.

The Chair: Yes, sir, I understand that. Call the roll. You are voting now on recessing this Committee of the whole until Monday at 2 p. m.

(Thereupon the Committee of the Whole adjourned until 2 o'clock p. m., Monday, February 27th, 1933.)

### THIRTY-FIRST DAY.

Senate Chamber,  
Austin, Texas,  
February 27, 1933.

The Senate met at 10 o'clock a. m., pursuant to adjournment, and was called to order by President Pro Tem. Walter Woodul.

The roll was called, a quorum being present, the following Senators answering to their names:

Beck.	Fellbaum.
Blackert.	Greer.
Collie.	Holbrook.
Cousins.	Hopkins.
DeBerry.	Hornsby.
Duggan.	Martin.

Moore.	Redditt.
Murphy.	Regan.
Neal.	Russek.
Oneal.	Sanderford.
Pace.	Small.
Parr.	Stone.
Patton.	Woodruff.
Poage.	Woodul.
Purl.	Woodward.
Rawlings.	

Prayer by the Chaplain.

Pending the reading of the Journal of yesterday, the same was dispensed with on motion of Senator Woodward.

### Committee Reports.

(See Appendix.)

### Bills and Resolutions.

By Senator DeBerry:

S. B. No. 309, A bill to be entitled "An Act to amend Article 3810 of the Revised Civil Statutes relating to sales of real estate under deeds of trust; requiring notice of such sales to be sent by registered mail to all persons having liens of record against the land to be foreclosed and providing that an affidavit made by the party sending a notice by mail shall be subject to registration and when recorded shall be prima facie evidence that the notice was sent, and declaring an emergency."

Read and referred to Committee on Civil Jurisprudence.

By Senator Rawlings:

S. B. No. 310, A bill to be entitled "An Act exempting the employment of outside auditors by any independent school district having within its limits a city with a population of not less than 150,000 and not more than 210,000 according to the next preceding Federal census from all requirements in special or general laws to let such auditing contracts upon competitive bids and after advertising for such bids, and repealing all laws and parts of laws in conflict herewith, and declaring an emergency."

Read and referred to Committee on Educational Affairs.

By Senator Beck:

S. B. No. 311, A bill to be entitled "An Act validating, confirming and approving the action of the governing bodies of all cities and towns of five thousand (5000) inhabitants or less in the addition or attempted ad-

dition of any territory adjoining the limits of any such city or town under and by virtue of Article 974 of the Revised Civil Statutes of 1925 and any and all other laws relative thereto; validating all ordinances, resolutions, elections or other action passed, made, held and taken in reference thereto, and declaring an emergency."

Read and referred to Committee on Towns and City Corporations.

By Senator Stone:

S. B. No. 312, A bill to be entitled "An Act to add to the Revised Civil Statutes of Texas a new article to be known as Article 6479-a, relating to the frequency of freight train service required on railroads in this State and the furnishing of freight cars for loading; and repealing all conflicting laws and parts thereof; and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Oneal:

S. B. No. 313, A bill to be entitled "An Act to amend Chapter Seven (7) of Title Ninety (90) of the Revised Civil Statutes of 1925, by adding thereto an article to be known as Article 5502-A, providing that the proprietors of public garages shall have a special lien on all automobiles, motor trucks, buses and trailers placed with them for storage, care and safekeeping; and providing for enforcement of the lien, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Oneal:

S. B. No. 314, A bill to be entitled "An Act to prohibit the hunting, taking, shooting or killing of any game bird or any game animal, as defined in the laws of the State of Texas, in that part of Wichita County included within the following territory, to-wit: Beginning at the center of the intersection of Tenth and Holliday Streets in the City of Wichita Falls, Wichita County, Texas; thence in a Southerly direction down the center of said Holliday Street to the corporate limits of the city of Wichita Falls; thence along the center of what is known as the Jacksboro-Wichita Falls Highway, being State Highway No. 66, to the center of the public road intersecting said Highway No. 66 on the North line of the J. R. McDowell Survey, Abstract No. 194;

thence West with the center of said public road along the North line of the said McDowell Survey and North line of the G. Reynolds Survey, Abstract No. 251, to the Northwest corner of said G. Reynolds Survey and a corner of the Wichita Falls State Hospital lands; thence South along the center of said public road to the South line of said State Hospital lands; thence West with the center of said public road to where the same intersects the Wichita Falls and Archer City paved road, being State Highway No. 79, just South of the Spillway of Lake Wichita; thence in a Northerly direction along the center of said Highway No. 79, passing Lake Wichita Pavilion grounds, to the corporate limits of the City of Wichita Falls, where said Highway No. 79 meets and enters Grant Street in said city; thence in a Northerly direction along the center of said Grant Street to the intersection of the same with Tenth Street in the City of Wichita Falls; thence in an Easterly direction along the center of said Tenth Street to the place of beginning, being the intersection of Tenth Street and Holliday Street in the City of Wichita Falls; fixing penalty, and declaring an emergency.

Read and referred to Committee on Game and Fish.

By Senator Fellbaum:

S. B. No. 315, A bill to be entitled "An Act providing for the appointment of an official court reporter in and for each district court of Bexar County, either civil or criminal, by the judge of each district court of said county, either civil or criminal; providing the qualifications; providing that the salary of each of said official court reporters shall be fixed and determined by the judge so appointing such court reporter, and not otherwise; providing for the manner of payment of said salary, and out of what fund; providing for transcript fees; declaring this Act to be a special Act, notices thereof having been duly published and exhibited as required by law and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Duggan:

S. B. No. 316, A bill to be entitled "An Act amending Article 2843 of Title 49, Chapter 16, Revised Statutes of 1925, as amended by Chap-

ter 210, Acts Regular Session, Forty-first Legislature, and Chapter 83, Acts Second Called Session, Forty-first Legislature, and declaring an emergency."

Read and referred to Committee on Educational Affairs.

By Senator Duggan, by request:

S. B. No. 317, A bill to be entitled "An Act to provide for selection and adoption of all textbooks, to be used with or for all courses offered in the Main University, of the University of Texas, at Austin, Texas; providing the methods of selecting or adopting such books; providing for the term of adoption; providing for a printed or posted list of the books adopted for each of the several courses of the University to be posted in order that the students may be aware of the texts to be required in each course; providing for estimates of the number of copies of each adopted text or texts to be used, and declaring an emergency."

Read and referred to Committee on Educational Affairs.

By Senator Sanderford:

S. B. No. 318, A bill to be entitled "An Act making certain emergency appropriations out of general revenue of the State Treasury to the Department of Agriculture to print Farm Census data; for payment of electroplates, etchings, and materials purchased; for salary of Mrs. Avon Garrett, one month; and for printing such farm data in bulletin form to be distributed by using franking privileges permitted by joint agreement between the Department of Agriculture and United States Crop Reporting Service, and declaring an emergency."

Read and referred to Committee on Finance.

By Senator Redditt:

S. B. No. 319, A bill to be entitled "An Act fixing the amount of penalty and interest on delinquent taxes due the State of Texas, or any political subdivision thereof, regulating time of payment thereof, and repealing all laws and parts of laws in conflict therewith, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Hopkins:

S. B. No. 320, A bill to be entitled "An Act to provide for conventions

to pass on amendments to the Constitution of the United States which may be now or may be hereafter proposed by the Congress of the United States for ratification by conventions in the several states; prescribing the duties of the Governor of the State with reference to calling such election; prescribing the duties of the Secretary of State with reference to the preparation, printing and distribution of official ballots of such election, and the duties of the Secretary of State in such conventions and the certifying of the actions thereof; prescribing who shall be qualified to vote at such convention and election; prescribing the manner and method in which delegates shall be elected to attend such convention; providing the form of the ballot to be used at such election; prescribing certain duties of the public officials of this State with reference to the conduct of such election; providing for the payment of the expenses of such election; and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Hopkins:

S. B. No. 321, A bill to be entitled "An Act to amend Article 1855 of the Revised Civil Statutes (1925) so as to require Courts of Civil Appeals to certify to the Supreme Court for its decision any question of law involved in a case of which the Supreme Court cannot take jurisdiction by writ of error, and which is important to the jurisprudence of the State, and has not been previously decided by the Supreme Court; and declaring an emergency."

Read and referred to Committee on Civil Jurisprudence.

By Senator Hopkins:

S. B. No. 322, A bill to be entitled "An Act to amend Article 1728, Revised Civil Statutes (1925), fixing the jurisdiction of the Supreme Court, as amended by the Acts of the Fortieth Legislature, Chapter 144, page 215, so as to eliminate from said Article subdivisions 4, 5, and 6, giving the Supreme Court jurisdiction of cases involving revenues of the State, cases in which the Railroad Commission is a party, and in cases in which it is made to appear that an error of substantive

law has been committed by a Court of Civil Appeals which affects the judgment in the case; and declaring an emergency."

Read and referred to Committee on Civil Jurisprudence.

By Senator Neal:

S. B. No. 323, A bill to be entitled "An Act validating the incorporation of the City of Overton; validating the incorporation election which was held on or about April 11, 1931, and the other incorporation proceedings; validating the election of the mayor and board of aldermen and other officials for said city following such incorporation election; validating the organization of the city council; validating all governmental proceedings done and performed by such governing body and officials; and declaring an emergency."

Read and referred to Committee on Towns and City Corporations.

By Senator Woodul:

S. B. No. 324, A bill to be entitled "An Act to amend Article 536 of the Penal Code of the State of Texas to provide that same shall not apply to self-help or credit scrip, or other certificates of barter, issued during the years 1933, 1934, and 1935, by any incorporated city, town, or village, or by any organized chamber of commerce, and declaring an emergency."

Read and referred to Committee on State Affairs.

By Senator Fellbaum:

S. B. No. 325, A bill to be entitled "An Act amending Article 4006 by adding Article 4006-a, providing further exceptions to Article 4005, providing certain railways and certain other companies may issue passes, and extending certain privileges to Indian War Veterans; providing generally therefor; and declaring an emergency."

Read and referred to Committee on Military Affairs.

By Senator Woodruff:

S. B. No. 326, A bill to be entitled "An Act defining unfair discrimination and prohibiting any person, firm, company, association or corporation engaged in the production, manufacture, sale or distribution of any commodity or electricity in general use in this State, from discriminating between different sections,

communities, incorporated cities or towns of this State, for the purpose of destroying the business of a competitor in any locality, or for the purpose of fixing, maintaining, increasing or reducing the price of such commodity or electricity by selling or distributing such commodity or electricity, or permitting the sale or distribution of such commodity or electricity, at a different rate or price in one section, community, incorporated city or town than is charged or permitted to be charged, for said commodity or electricity by said party in another section, community, incorporated city or town, after making due allowance for the difference, if any, in the grade or quality, in the actual and necessary cost of transportation paid by the seller or distributor on said commodity or electricity and the reasonably necessary difference, if any, in the cost of marketing said commodity or electricity; making certain facts prima facie evidence of unfair discrimination; providing punishment, penalty and forfeiture for unfair discrimination as defined in said Act, making it the duty of the Attorney General or the district or county attorney under his direction, to prosecute for the recovery of penalties and forfeitures herein provided, fixing venue of such suits, and fixing fees of district or county attorneys therein; providing that unfair discrimination shall be enjoined at the suit of the Attorney General or district or county attorney, acting under his direction, in the district court of any county of the State of Texas; providing that this Act shall be cumulative of all laws of this State and shall not be construed as repealing any law relating hereto; providing that if any portion of this Act shall be declared unconstitutional, the remaining portions thereof shall not be affected thereby; and declaring an emergency."

Read and referred to Committee on Criminal Jurisprudence.

By Senator Woodruff, by request:  
S. B. No. 327, A bill to be entitled "An Act to regulate the granting of pipeline right-of-way easements, and the terms thereof and the rates to be charged therefor, across public lands of Texas; providing for the disposition of proceeds received from

such easements; providing for interest on past due amounts; providing for payment for pipeline rights-of-way heretofore taken and now used or occupied by any person or corporation; providing for penalties for hereafter constructing any pipeline across State school, university, tidewater or gulf lands without first obtaining a grant from the State; fixing the venue of all suits under this Act in Travis County; providing that if any section, clause or provision of this Act be held unconstitutional, invalid or unenforceable it shall not affect the remaining portions, and declaring an emergency."

Read and referred to Committee on Public Lands and Land Office.

By Senator Rawlings:

S. B. No. 328, A bill to be entitled "An Act to amend Section 13a of Article 911b, Revised Civil Statutes of 1925, vesting in the Railroad Commission of Texas the authority to regulate the safety of motor vehicles to be operated under permits and certificates issued by the Railroad Commission, and to regulate and control the number and size of boxes, packages, and barrels or bales that may be transported on any such vehicle; repealing all laws in conflict herewith, and declaring an emergency."

Read and referred to Committee on State Highways and Motor Traffic.

#### Senate Simple Resolution No. 58.

Senator Hopkins sent up the following resolution:

Whereas, In the person of Richard M. Kleberg, of Corpus Christi, Texas presents to the Nation one of the brightest figures in public life today; and,

Whereas, Congressman Kleberg by training, education, experience and association is pre-eminently qualified to lead the diplomatic activities of the incoming Democratic National Administration as the American Ambassador to the Republic of Mexico, our Sister Republic to the South; and,

Whereas, The problems of The Great Southwest, the homeland of our native son, and those of the Mexican Republic are uniquely parallel, livestock, cattle-raising, mining and agricultural and industrial

enterprises in all of their many phases being common to both, and in each of which Congressman Kleberg is not only generally but intimately well versed and experienced; and,

Whereas, Texas would not only do honor to itself and to the Nation but reflect credit of the highest degree upon the American people as a whole in bringing about the selection and elevation of our distinguished son to this high post; now, therefore, be it

Resolved by the Senate of Texas, That we do now unanimously endorse and recommend the Honorable Richard M. Kleberg for appointment as the American Ambassador to the Republic of Mexico; and, be it further

Resolved, That as a token of our faith, esteem and confidence in Congressman Kleberg and his abilities, a copy of this resolution be forwarded to Honorable Franklin D. Roosevelt, President-elect, to Honorable Cordell Hull, newly selected Secretary of State, and to Honorable Jas. A. Farley, Chairman of the National Democratic Executive Committee, expressing to them and each of them the earnest hope and keen desire that the United States of America through the incoming administration be represented in the Mexican National Capitol by this illustrious son of Texas, this gentleman, student and statesman, a citizen and patriot without a peer.

HOPKINS,	ONEAL,
POAGE,	PACE,
FELLBAUM,	PARR,
BECK,	PATTON,
BLACKERT,	PURL,
COLLIE,	RAWLINGS,
COUSINS,	REDDITT,
DeBERRY,	REGAN,
DUGGAN,	RUSSEK,
GREER,	SANDERFORD,
HOLBROOK,	SMALL,
HORNSBY,	STONE,
MARTIN,	WOODRUFF,
MOORE,	WOODWARD,
MURPHY,	WOODUL,
NEAL,	

The resolution was read.

Senator Hopkins received unanimous consent that the rule requiring resolutions to be referred before consideration be suspended.

The resolution was adopted unanimously.

#### Senate Simple Resolution No. 60.

Senator Hornsby sent up the following resolution:

Whereas, Honorable Thomas Watt Gregory, a distinguished citizen of Texas and of the Nation, formerly United States Attorney General during the administration of President Woodrow Wilson, passed away in New York City yesterday; and,

Whereas, The body of this great Texan is to be returned here for burial; therefore, be it

Resolved by the Senate of Texas, That we hereby extend our sincere condolence and tenderest sympathy to his family in their great grief and deep sorrow, and tender them the use of the Senate Chamber for the funeral services to honor this beloved citizen.

HORNSBY,	PACE,
BECK,	PARR,
BLACKERT,	PATTON,
COLLIE,	POAGE,
COUSINS,	PURL,
DeBERRY,	RAWLINGS,
DUGGAN,	REDDITT,
FELLBAUM,	REGAN,
GREER,	RUSSEK,
HOLBROOK,	SANDERFORD,
HOPKINS,	SMALL,
MARTIN,	STONE,
MOORE,	WOODRUFF,
MURPHY,	WOODWARD,
NEAL,	WOODUL,
ONEAL,	

Read and adopted unanimously by a rising vote.

#### Message from the House.

Hall of the House of Representatives,  
Austin, Texas, Feb. 27, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: I am directed by the House to inform the Senate that the House has passed the following bills and resolution:

H. B. No. 34, A bill to be entitled "An Act amending Article 2691, Revised Statutes of Texas, 1925, and declaring an emergency."

H. B. No. 211, A bill to be entitled "An Act amending Chapter 91, Acts First Called Session, Fortieth Legislature as amended by Chapter 77, Acts First Called Session, Forty-first Legislature, as amended by Chapter 164, Acts Regular Session, Forty-second Legislature, and declaring an emergency."

H. B. No. 236, A bill to be entitled "An Act to amend Section 1, Chapter 90, H. B. No. 610, Special Laws of the Forty-second Legislature, and declaring an emergency." (Relating to protection of fish in Bosque County.)

H. B. No. 327, A bill to be entitled "An Act amending Chapter 69, of the Acts of the Forty-second Legislature, Regular Session, providing for the taking of catfish, perch, buffalo, and drum, in the waters of Delta, Hopkins, or Franklin Counties, by hand, or with a seine having meshes one inch square, and declaring an emergency."

(With Engrossed Rider.)

H. B. No. 362, A bill to be entitled "An Act prohibiting the use of any seine or net for taking fish from any of the waters of Lamar County, except a seine or net of not less than two-inch square mesh; or a minnow seine for the purpose of taking bait; providing a penalty, and declaring an emergency."

H. B. No. 399, A bill to be entitled "An Act permitting the taking of pelts of fur-bearing animals for the purpose of sale in Nacogdoches County, during the months of December and January; making it unlawful to take such pelts or to employ a steel trap for taking any fur-bearing animal during any other months than December and January; providing a penalty; repealing all laws or parts of laws in conflict with this Act, and declaring an emergency."

H. B. No. 441, A bill to be entitled "An Act to prohibit the use of a seine or net for taking fish in Cherokee County, except the seine or net of not less than three-inch square mesh, except during certain months, and excepting a minnow seine from the provisions of this Act; providing a penalty; repealing all laws or parts of laws in conflict herewith, and declaring an emergency."

H. B. No. 505, A bill to be entitled "An Act amending Section 1, Chapter 213, Acts of the Regular Session, Forty-second Legislature, and declaring an emergency." (Relating to compensation of county commissioner.)

(With Engrossed Rider.)

H. J. R. No. 89, Requesting the return of S. B. No. 136 to the House for further consideration.

S. B. No. 136, A bill to be entitled "An Act making appropriations out

of the Sand, Shell and Gravel Fund of this State to pay certain refunds of the tax collected by the Game, Fish and Oyster Commission on sand, shell and gravel used by counties, cities and towns for constructing streets and roads; and declaring an emergency."

The House has concurred in Senate amendments to H. B. No. 18 by a viva voce vote.

The House concurred in Senate amendments to H. B. No. 15 by a vote of 120 yeas and 1 nay.

Respectfully submitted,

LOUISE SNOW PHINNEY,  
Chief Clerk, House of Representatives.

#### Motion to Return Bill to House.

Senator Holbrook moved that S. B. No. 136 be returned to the House for further consideration. The motion prevailed.

#### House Bills Referred.

H. B. No. 34, referred to Committee on Educational Affairs.

H. B. No. 211, referred to Committee on Educational Affairs.

H. B. No. 236, referred to Committee on Game and Fish.

H. B. No. 327, referred to Committee on Game and Fish.

H. B. No. 362, referred to Committee on Game and Fish.

H. B. No. 399, referred to Committee on Game and Fish.

H. B. No. 441, referred to Committee on Game and Fish.

H. B. No. 505, referred to Committee on Counties and County Boundaries.

#### Motion to Re-refer.

Senator Poage moved to withdraw all bills relating to conventions on prohibition repeal matters from the Committee on Privileges and Elections and to re-refer the bills to the Committee on State Affairs. The motion prevailed.

(S. B. No. 260.)

#### House Bill No. 168.

The Chair laid before the Senate as pending business the following bill:

By Mr. Harman:

H. B. No. 168, A bill to be entitled "An Act making appropriations to pay salaries to judges, and the support and maintenance of the Judicial Department of the State government

for the two-year period beginning September 1, 1933, and ending August 31, 1935; and declaring an emergency."

The question recurred upon the pending amendment to the amendment.

Senator DeBerry sent up the following substitute for the amendment to the amendment:

Amend H. B. No. 168, as amended by striking out all of lines 55 and 56 on page 5 and by inserting in lieu thereof the following:

"1. Civil and Criminal District Judges salaries, 119 at \$3750.00 each per year

\$446,250.00 \$446,250.00."

DeBERRY.

The substitute was read.

Senator Purl moved to table the substitute. The motion prevailed by the following vote:

Yeas—24.

Collie.	Pace.
Cousins.	Parr.
Duggan.	Patton.
Fellbaum.	Purl.
Greer.	Rawlings.
Hopkins.	Redditt.
Hornsby.	Regan.
Martin.	Russek.
Moore.	Small.
Murphy.	Stone.
Neal.	Woodul.
Oneal.	Woodward.

Nays—5.

Blackert.	Sanderford.
DeBerry.	Woodruff.
Holbrook.	

Present—Not Voting.

Beck.

Absent.

Poage.

#### Point of Order.

Senator Woodward raised the point of order that discussion of the report of the Committee on Rules relative to information concerning the vote on confirmation of Mr. F. L. Denison would reveal certain information relative to the proceedings of the executive session and therefore should not be printed in the Senate Journal until it was acted on by the Senate in executive session.

The Chair, President Pro Tem.

Walter Woodul, sustained the point of order and instructed the Journal Clerk not to print the committee report in the Journal.

#### Motion for Hearing by Committee of the Whole.

On motion of Senator Oneal, the Senate voted to resolve itself into a Committee of the Whole next Thursday at 2 p. m., to consider H. J. R. No. 3 and S. J. R. No. 12.

#### Motion to Set Executive Session.

Senator Woodward moved that the Senate go into executive session tomorrow morning at 11 o'clock for the purpose of acting on the report of the Committee on Rules relative to divulging that which transpired in executive session. The motion prevailed.

#### Adjournment.

On motion of Senator Moore, the Senate, at 12:34 o'clock p. m., adjourned until 9:30 o'clock tomorrow morning.

#### APPENDIX.

##### Committee on Enrolled Bills.

Committee Room,

Austin, Texas, Feb. 24, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 136 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

Committee Room,

Austin, Texas, Feb. 24, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. C. R. No. 20 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

Committee Room,

Austin, Texas, Feb. 24, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 116 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.



Committee Room,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 13 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

Committee Room,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 141 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

Committee Room,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 135 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

Committee Room,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Enrolled Bills, have had S. B. No. 30 carefully examined and compared and find same correctly enrolled.

GREER, Chairman.

#### Committee Reports.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 234 (State taxes due Fort Bend County).

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 265 (State taxes due Brazoria Independent School District).

Have had the same under con-

sideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 269 (Appropriating balance in malaria fund).

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 287 (State taxes due Freeport Independent School District).

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 288 (State taxes due Brazoria County).

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was referred

S. B. No. 289 (Shell and gravel refunds).

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be printed.

HOLBROOK, Chairman.

Committee Room,  
Austin, Texas, Feb. 24, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on State Affairs, to whom was referred H. B. No. 60, A bill to be entitled "An Act to amend Chapter 6, H. B. No. 26, of the Acts of the 3rd Called Session of the Forty-second Legislature, relating to the taking of fur-bearing animals in certain counties, and declaring an emergency."

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do pass and be not printed.

HOPKINS, Chairman.

Committee Room,  
Austin, Texas, Feb. 25, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Finance, to whom was re-committed S. B. No. 158, again have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it do not pass, but that the committee substitute for S. B. No. 158 do pass, in lieu thereof, and that the original bill be not printed and that the committee substitute be printed.

HOLBROOK, Chairman.

C. S. for S. B. No. 158.

#### A BILL

#### To Be Entitled

An Act to reduce the amount appropriated by the Regular Session of the 42nd Legislature in 1931, for the payment of salaries of officers and employees of this State other than such salaries, the amount of which is fixed by the Constitution; prohibiting the Comptroller from paying in excess of the amounts fixed herein, repealing all laws and parts of laws in conflict herewith and declaring an emergency.

Be it enacted by the Legislature of the State of Texas:

Section 1. From and after the passage of this Act, the amounts appropriated by the several appropriation bills passed at the Regular Session of the 42nd Legislature in 1931, for the payment of salaries of the various officers and employees of the State of Texas, other than such salaries the amount of which is fixed by the Constitution, be and the

same are hereby reduced in accordance with the following scale:

All salaries up to and including \$1200.00 per year shall be reduced ten (10) per cent.

All salaries from \$1201.00 to \$3,000.00, inclusive, shall be reduced fifteen (15) per cent., except that salaries from \$1201.00 to 1260.00 per year, shall be reduced to \$1092.00 per year.

All salaries from \$3001.00 to \$5000.00, inclusive, shall be reduced twenty (20) per cent., except that salaries from \$3001.00 to \$3200.00 per year shall be reduced to \$2580.00 per year.

All salaries at \$5001.00, or more, per year shall be reduced twenty-five (25) per cent., except that salaries from \$5001.00 to \$5350.00, shall be reduced to \$4050.00.

Sec. 2. The appropriation heretofore made for the Game, Fish and Oyster Commission is hereby exempt from the provisions of this bill because this Department reduced the salaries of their various employees from five (5) to twenty (20) per cent., beginning January 1, 1933.

Sec. 3. All statutory provisions heretofore enacted fixing any salary or salaries of any employee or employees of the State of Texas, that are or may be in conflict herewith, are herewith repealed; and the Comptroller is herewith expressly prohibited from paying any salary or salaries except as herein fixed.

Sec. 4. The fact that there is at present an inadequate amount of money to pay these salaries as provided for in the appropriation bills passed by the Forty-second Legislature, creates an emergency and an imperative public necessity that the Constitutional rule requiring all bills to be read on three several days be, and the same is hereby suspended, and this Act shall take effect and be in force from and after its passage, and it is so enacted.

Committee Room,  
Austin, Texas, Feb. 27, 1933.  
Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Educational Affairs, to whom was referred

S. B. No. 41, A bill to be entitled "An Act amending S. B. No. 41, First Called Session of the Forty-second Legislature, Chapter 20, and declaring an emergency."

Have had the same under con-

sideration, and I am instructed to report it back to the Senate with the recommendation that it do pass, with the following committee amendment:

Amend Section 2, so as to strike out: "Provided that if the school district is unable to pay said tuition and also maintain an efficient elementary school as determined by the county board of trustees approved by the State Board of Education, the tuition or such part thereof as may be necessary, shall be paid by the State of Texas."

Also amend the bill by adding a new section to be known as Section 4-a to read as follows:

"Section 4-a. It shall be unlawful for any child, under seven (7) years of age at the beginning of any scholastic year, to be admitted to any school for that year unless the parent or guardian of said child shall pay into the school to be attended, the amount of the State per capita apportionment for that year. Said sum shall be paid in installments as may be provided by the School Board affected.

"Any school Superintendent or Principal permitting the attendance of any child contrary to the provisions herein contained shall be subject to dismissal."

NEAL, Chairman.

Committee Room,

Austin, Texas, Feb. 24, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Con-

stitutional Amendments, to whom was referred

H. J. R. No. 3, Proposing to repeal Article V, of the Constitution of the State of Texas, the same being the Article creating the Judiciary Department of the State and to adopt and enact a new Article V in lieu thereof, reorganizing the Judiciary Department of the State of Texas.

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it be referred to the Committee of the Whole for public hearing thereon.

ONEAL, Chairman.

Committee Room,

Austin, Texas, Feb. 24, 1933.

Hon. Edgar E. Witt, President of the Senate.

Sir: We, your Committee on Constitutional Amendments, to whom was referred

S. J. R. No. 12, Proposing to amend Sections 1, 2, 6 and 7, of Article V, of the Constitution of Texas, the same being the article creating the Judicial Department of the State, so as to make Sections 1, 2, 6, and 7, of Article V, read as follows; etc.

Have had the same under consideration, and I am instructed to report it back to the Senate with the recommendation that it be referred to the Committee of the Whole for public hearing thereon.

ONEAL, Chairman.

# In Memory of Judge W. C. Wear

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## Senate Simple Resolution No. 59.

Senator Martin sent up the following resolution:

Whereas, Judge W. C. Wear, late of Hillsboro, Texas, and for some time past a reporter for the State Court of Criminal Appeals, passed peacefully to his eternal rest this morning at 8 o'clock; and,

Whereas, Judge Wear was long and affectionately known by the Bar of Texas as one of its outstanding and most accomplished members. Most of his useful life was spent in Hillsboro where he saw active service in the practice of law, having as his partners at one time or another Judge W. C. Morrow, a member of the Court of Criminal Appeals; Judge Nelson Phillips, former Chief Justice of the Supreme Court of Texas, and Tom Smith, former Speaker of the House and Attorney General of Texas.

Judge Wear was for a long time District Judge of Hillsboro and was always highly efficient on the bench as he was before the Bar as practitioner. Since coming to Austin in the capacity of reporter for the Court of Criminal Appeals he was an invaluable servant and the care he gave this laborious task, no doubt, contributed to the illness which caused his death.

In every endeavor he exhibited that high degree of character which stamped him as a great lawyer, a great Judge and great citizen.

The Senate of Texas feels deeply grieved at his passing; therefore, be it

Resolved by the Senate, That this simple tribute of affection be printed on a special page in the Senate Journal as a token of our respect; that a copy of same be sent to each member of his family and that when the Senate adjourns today it do so in respect to his memory.

MARTIN,  
HOLBROOK,  
BECK,  
BLACKERT,  
COLLIE,  
COUSINS,  
DeBERRY,  
DUGGAN,  
FELLBAUM,  
GREER,  
HOPKINS.

HORNSBY,  
MOORE,  
MURPHY,  
NEAL,  
ONEAL,  
PACE,  
PARR,  
PATTON,  
POAGE,  
PURL,  
RAWLINGS.

REDDITT,  
REGAN,  
RUSSEK,  
SANDERFORD,  
SMALL,  
STONE,  
WOODRUFF,  
WOODWARD,  
WOODUL.

Read and adopted unanimously by a rising vote.

## SUPPLEMENT (Continued).

Monday, 2 o'clock p. m.,  
February 27, 1933.

The Chair: The Committee will please be in order. The Secretary will call the roll.

(The Secretary called the roll and declared that a quorum was present.)

The Chair: A quorum being present the Committee will please proceed.

Senator Pace: Mr. Chairman.

The Chair: Senator Pace is recognized.

Senator Pace: When the Committee recessed last Friday afternoon I made a motion, the substance of which was that we recess until 2:00 o'clock Monday afternoon at which time motions or resolutions would be in order touching the conclusion of this hearing and at this time I want to offer a resolution in the form of a motion.

The Chair: The Senator from Smith sends up the resolution. The secretary will please read the resolution.

(The resolution offered by the Senator from Smith is as follows:)  
S. R. No. .... By Pace

Whereas, The members of the Senate of the State of Texas of the Forty-third Legislature, sitting as a Committee of the Whole, have had under consideration the message of the Governor, heretofore transmitted to us, concerning the activities of the Highway Department and its relationship with the Security Trust Company as is fully detailed in the said message of the Governor, and

Whereas, The said Committee of the Whole has actively pursued an inquiry and investigation with reference to the said communication from the Governor since the seventeenth day of February, and

Whereas, It now appears that a further inquiry into said matters referred to in the Governor's message would not serve for any useful purpose to the State of Texas; therefore, be it

Resolved, by the members of the Senate, sitting as a Committee of the Whole, That we, as such Committee, arise and report progress, and, be it further

Resolved, That said Committee of the Whole be instructed to report back to the Senate of the State of Texas of the Forty-third Legislature, that from the evidence offered and as a result of the investigation made to date, said Committee is unable and unwilling to criticize the members of the Highway Commission of the State of Texas for their activities in connection with the subject matter of the communication from the Governor. In this connection, the Committee of the Whole is mindful of the fact that the Governor of the State of Texas, in her communication, has not made charges, but has simply tendered these matters to the Senate for its consideration.

Senator Sanderford: I raise a point of order, that the witnesses have not all been questioned and the evidence is not all in, therefore this is out of order.

The Chair: I believe that would be in the nature of an argument against the adoption of the resolution instead of a point of order, Senator.

Senator Blackert: I would like to make a substitute motion, that the Committee continue to adjourn and hold itself subject to the call of the Chair. My reason for doing that is this,—

Senator Pace: (Interrupting) I want to speak on this motion first.

Senator Blackert: My reason for making this substitute motion is this, that I believe other charges will be made against the Highway Commission, and the machinery has already been set up here, consequently we would be in the position of investigating all charges. Now, I am further against the idea, and it would probably be a matter of sending these charges to the House, because to do so it necessarily means the question of impeachment, and it confines the charges. Now, under the direction we have and the authority under which we are operating I think we can investigate all charges, and that is my motion and I respectfully submit it.

The Chair: You offer that as a substitute for that resolution. Sena-up?

Senator Blackert: Yes.

The Chair: You have heard the reading of the resolution sent up by the Senator from Smith, and as a substitute for that resolution Sena-

tor Blackert moves that the Committee simply recess and report progress, and recess subject to the call of the Chair. The matter is now open for discussion. The Senator from Smith is recognized.

Senator Pace: We have been here since the 17th of February actively engaged in this investigation. That is ten days. I do not see that we have been getting anywhere in these charges. Certainly from the evidence that has been offered by the leading witnesses in this case, or with reference to these matters, we haven't been able to do anything except just add to the general confusion. This Legislature or this Senate, is down here for the purpose of trying to do something constructive and I believe that if there was going to be anything that would have developed, by which for the time would be necessary to develop it, that would have developed by this date, and I feel that in the interest of harmony and in the interest of going ahead with some kind of program here that the Senate of the State of Texas can get down and get some sort of remedial legislation enacted, that the various members of the Committees of the Senate get together and function properly,—This Legislature is almost half over. I believe we can get in here right now and adopt that resolution and close this hearing, and I do not believe there is any reason not to do it. Now, I feel like, and I think the other members of the Senate feel like if we will do that,—it has not been any time since, if there are two sides of this controversy, that each side was accusing the other side of wanting to go ahead, and this is an opportunity for us to close this situation now and there is no reason not to close it and I hope the Senate will adopt that resolution and rise and report progress. Some people have suggested that we throw it into the House. If there is any member of the Committee that feels that should be done I will state that is already in the House, if the members of the House want to take it up. They have that communication, and it is identical with the communication we have, and they can do so. There is nothing we can do about this matter as I understand it, except to create confusion and general misunderstanding. I think the time has

come to arise and report progress and conclude this hearing and get down to the serious business we are here for.

Senator Hornsby: Will the Senator yield?

Senator Pace: Yes.

Senator Hornsby: Because of the fact that the Security Trust Company has been involved in this hearing up to now would you not be willing to give them hearing if they want to be present, and present their side of the matter?

Senator Pace: I figure if we would go into a lot of things, one man will want this and another man will want that. I think we could carry this hearing for the whole one hundred and twenty days or for six months, and nobody would finally be satisfied. Some of them might be and some others would not. We would never get to the point where everybody in this Senate would be satisfied because he would be convinced absolutely of his own opinion about the matter.

Senator Hornsby: I understood Saturday that the process had been requested for Mr. Cravens, who was the active vice-president of the Security Trust Company, and if Mr. Cravens has a statement he wants to make to this Committee I insist that he be given an opportunity to make it.

Senator Pace: I do not object personally. I just figured that the time had arrived when we could arise and report progress.

Senator Blackert: If we close now what assurance have we that somebody else will not want to open it?

The Chair: I take it your resolution was to the effect that we report as a Committee of the Whole back to the Senate.

Senator Pace: Yes.

The Chair: I think the difference between you and Senator Blackert is that we simply arise and report progress, and do not recess as a Committee of the Whole, but leave it in its present situation.

Senator Pace: Of course it would be possible to resolve ourselves back into a Committee of the Whole.

Senator Blackert: It would not be easy to do that.

Senator Woodul: Could I ask the Board of Managers if they figure they have anything that would jus-

tify us going on further with this hearing.

The Chair: The inquiry has been made, Senator Martin, can you answer that inquiry?

Senator Martin: I just state this, Mr. President, it has been rumored I understand, and all I have is rumor, the rumors are rumbling around that the securities placed in escrow to secure these deposits made with the Security Trust Company have been hypothecated by the Security Trust Company, placed up with the Reconstruction Finance Corporation for the purpose of procuring a loan, and that the same was done by and with the consent of the Highway Department. I don't know whether that is true or not true, but I was up home on yesterday and that was being rumored on the streets of the City of Hillsboro. Understand, I am not asserting it as a matter of fact, I don't know. I would like to have Mr. Cravens brought here for the purpose of clearing that up. If it is not true the Security Trust Company ought to have it in the record; if it is true the Senate ought to have it in the record.

Senator Woodul: Is Mr. Cravens in the city?

Senator Martin: I heard the Senator from Bell ask for a process for him one day last week, I don't know what day it was but I think I did. I don't know Mr. Cravens myself. If I ever met him I don't recall it.

The Chair: Do you know, Senator Hornsby, whether he is in the city?

Senator Hornsby: I do not see him here but I think you could phone him and I think he would come up here in a very few minutes. His home is here in Austin.

Senator Blackert: That is what I am trying to guard this Committee and this Senate against, and that is these unfounded rumors. I want to keep this Committee here to investigate, and whenever they get to the dignity of a charge they can investigate it.

Senator Woodul: Would you mind making that so that the Senate could come back here at any time within the next two years on the direction of the Chair?

Senator Woodward: I don't think in reality there is any difference at this particular time between the

Senator from Victoria and the Senator from Smith. The resolution or motion made by the Senator from Smith is a matter which must be finally acted upon by the Senate. His motion as I interpret it, is merely that this Committee now recess and report progress to the Senate, with the request that the Committee be discharged, that is the Committee of the Whole be discharged, and that the Senate make certain recommendations. That is a matter for the Senate to act upon. If the Senate adopts that motion then of course we would be discharged. If the Senate does not adopt that motion we would still be in the position of a Committee of the Whole. In other words, as I interpret it, this is an action the Senate will have to take finally, at which time your suggestion would be debatable and finally acted upon.

The Chair: As I understand the difference between these two motions is that Senator Pace would adjourn the Committee as a Whole and make the final report to the Senate, and Senator Blackert, —

Senator Woodruff: May I make this suggestion with reference to the situation. The Senator from Smith in effect moves that the Committee recess and report progress, and report in addition thereto as set out in the resolution. The substitute motion is to recess and report progress. That is as far as the Senator from Victoria would go in his motion.

The Chair: Are you ready for the motion?

Senator Woodruff: Now, Mr. President, may I make this suggestion with reference to the situation. The Senator from Smith in effect moves that the Committee arise and report progress, and report in addition thereto as set out in the resolution. The substitute motion is to arise and report progress. That's as far as the Senator from Victoria may go in his motion. Now, this further observation, if the substitute be adopted, the Committee reports back to the whole Senate without any recommendation and the Senate would have nothing to act upon and it would then devolve upon the Senate to dissolve the Committee of the Whole or not as in its wisdom it may see fit. Now, if the Senator from Victoria will simply withdraw the

substitute motion and let the vote come on the resolution, the resolution will take care of the situation he calls for, that is, arise and report progress and then take it on the floor of the Senate, and then the Senator from Victoria might then make a motion that the Committee of the Whole be not dissolved, but be held subject to further call.

Senator Rawlings: I make the point of order on the substitute motion. When we report back to the Senate the Committee as a Whole can't perpetuate its organization as a Committee of the Whole.

The Chair: I believe the point of order is well taken. If we report back to the Senate it will be tantamount to a dissolution of the Committee of the Whole and it would then take another resolution before the Senate; I therefore hold the substitute motion out of order and the question is on the adoption of the resolution by the Senator from Smith. Read the resolution now.

(The resolution was thereupon by the Secretary and is as follows):

S. R. No. 1, by Pace.

Whereas, The Members of the Senate of the State of Texas of the 43rd Legislature, sitting as a Committee of the Whole, have had under consideration the message of the Governor, heretofore transmitted to us, concerning the activities of the Highway Department and its relationship with the Security Trust Company as is fully detailed in the said message of the Governor, and

Whereas, The said Committee of the Whole has actively pursued an inquiry and investigation with reference to the said communication from the Governor since the seventeenth day of February, and

Whereas, It now appears that further inquiry into said matters referred to in the Governor's message would not serve any useful purpose to the State of Texas, therefore be it

Resolved, by the members of the Senate sitting as a Committee of the Whole, That we, as such Committee, arise and report progress, and be it further

Resolved, That said Committee of the Whole be instructed to report back to the Senate of the State of Texas of the 43rd Legislature, that from the evidence offered and as a result of the investigation made to date, said Committee is unable and

unwilling to criticize the members of the Highway Commission of the State of Texas for their activities in connection with the subject matter of the communication from the Governor. In this connection, the Committee of the Whole is mindful of the fact that the Governor of the State of Texas, in her communication, has not made charges, but has simply tendered these matters to the Senate for its consideration.

Senator Martin: Mr. Chairman, and Members of the Committee, I would ask the Senate at this time not to act on this resolution until I can ascertain whether or not Mr. Cravens or some representative of the Security Trust Company wishes to come before this Committee of the Whole and make a statement. I make a motion that it be postponed until tomorrow.

The Chair: The Senator from Hill makes a motion that action on this resolution be postponed until tomorrow.

Senator Woodul: Can't you find him right now?

Senator Hornsby: Process was requested for Mr. Cravens the other day; I don't know whether it was issued or not.

Senator Woodul: Any return on the process?

The Chair: The Secretary tells me no name was delivered to him for process, and I have signed no process.

Senator Hornsby: I heard the request made in open meeting of the Committee of the Whole that process for be issued for Mr. Cravens.

Senator Sanderford: I made the request.

Senator Hornsby: I withdraw the motion.

Senator Pace: If the Senator wants to summons the banker I am anxious for him to have that privilege.

Senator Hornsby: I don't want to summons him; I want to give him an opportunity to be heard.

Senator Martin: I will ask for process for him, Mr. Chairman.

The Chair: The Senator from Hill asks for process for the witness.

Senator Martin: I want to make request that Mr. Cravens be subpoenaed here as a witness and that this matter be deferred until tomorrow.

The Chair: The Senator from



Hill moves as a substitute for the motion of the Senator from Smith that Mr. Cravens be summoned as a witness and that this matter be postponed until tomorrow.

Senator Moore: An amendment to the substitute. I want to make a motion that a subpoena be issued and that Mr. Cravens be brought in here not later than three o'clock this afternoon,—instantly.

Senator Rawlings: Point of order; neither the substitute nor the amendment is germane to the matter now before the Committee as a Whole. I think we should first act on the motion to adjourn, in effect and then act on whether or not the process be issued.

The Chair: Overrule the point of order.

Senator Woodruff: I want to ask unanimous consent that the resolution and the substitute motion of the Senator from Hill be laid on the table for the time being.

Senator Martin: You don't mean with reference to so far as the process is concerned?

Senator Woodruff: Well, you can then renew your request for process.

Senator Moore: I object.

Senator Purl: I move that the resolution be set as special order for four-thirty p. m. and at that time that we proceed with those witnesses who are in the city that the Committee wants to hear.

Senator Moore: Point of order—the motion, the substitute and the amendment—a substitute can't be offered to a substitute.

The Chair: Point of order sustained. I am going to put the motion of the Senator from Hill.

Senator Woodul: The point is this: why kill all this time. I understand that Mr. Cravens—the Security Trust Company is here and we can phone right now and get him, and if he doesn't get here in five or ten minutes, let's get it done with—get done with it. Why put it off until tomorrow and disarrange our business. I move a substitute that the Senate stand at ease for twenty minutes.

Senator Moore: Is Mr. Cravens in the city?

Senator Woodul: If they can't get him, they can get somebody else in the bank to explain it.

Senator Purl: I didn't make a substitute motion. I made a motion that the matter be set for special order

for determination by four-thirty, and have the Senator bring in any witness that he wants to that is in the city.

Senator Moore: Point of order; can't substitute with a substitute.

The Chair: Sustain the point of order. I don't know for sure whether I am right or not. What's your motion now?

Senator Woodul: My substitute was that the Senate stand at ease for twenty minutes and get these fellows up here and get through with them.

Senator Moore: Point of order; the Senator from Harris offers a substitute to substitute.

The Chair: Would you accept that as a substitute for your motion?

Senator Martin: I am willing to stand at ease until we get the witnesses up here to testify.

Senator Purl: I will accept that amendment.

The Chair: What's the status now?

Senator Martin: That process be issued to Mr. Cravens to come and bring with him a list of all bonds now in the possession of the American National Bank placed in escrow by the counties and the Highway Commission; also a complete list of all bonds originally placed there as security for the county depositories.

Senator Woodruff: I am raising the question that Mr. Cravens doesn't have control of those securities.

The Chair: He might have a list of them.

Senator Martin: Certainly he ought to have a list in his bank.

The Chair: The Senator from Hill moves that the Committee stand at ease until 3:00 o'clock and that process be issued for the immediate appearance of Mr. Cravens and that he be requested to bring with him a list of the bonds now in the possession of the American National Bank placed there in escrow, and also a list of all bonds originally placed with the Security Trust Company.

Senator Moore: Will the Senator accept an amendment to his motion? Accept an amendment that Mr. Cravens or some other official of the Security Trust Company authorized to act for them, if Mr. Cravens is not in the city?

Senator Martin: And who is familiar with the facts.

Senator Rawlings: There is a resolution pending here that we arise and report progress back to the Senate. Isn't that what we are working on?

The Chair: That's the one we are working on.

Senator Rawlings: I want to ask the Chairman now what status things will be in if we adopt or reject these various substitutes. The matter before us is the resolution by Senator Pace. These various motions to issue process, subpoenas duces tecum and so forth have no relation to the motion before us. My point is that we should get back to the original resolution and make some disposition of it.

The Chair: I will state to the Senator from Fort Worth the resolution offered by the Senator from Smith is in the nature of an adjournment of the Committee of the Whole. The substitute motion now by the Senator from Hill is that the Senate simply stand at ease until he can have a chance to get process for the witness. That is the substitute. If the substitute is adopted you can readily see what the procedure would be. If voted down, then the question will recur on the resolution of the Senator from Smith.

Senator Pace: The motion I made is in the nature of a motion to adjourn.

The Chair: For final report of the Committee.

Senator Pace: That being the case, the Committee should vote on my motion first because the other is in the nature of a short recess.

Senator Rawlings: Suppose we adopt the substitute, then you kill the original. The effect would be to kill the motion when it wasn't intended to do that.

Senator Pace: My point is that you should vote on my resolution first.

Senator Woodward: I would like to express my views for whatever they may be worth.

The Chair: All right.

Senator Woodward: If the motion as made by the Senator from Smith is adopted, that ends it, and it would be the overruling of his motion. That would be the effect of it. There would be no necessity for the witness. Whereas, if it is defeated, then we would recur on recessing for a few minutes to get that witness, and it occurs to me the first motion voted on should be the motion of the Senator from Smith because if it is adopted that would end it, and if it should not be

adopted, then we would be back to the question of the witness. I believe that would be the better practice.

The Chair: Senator Martin, the Chair believes your motion should be put first. Have you any objection to the motion of the Senator from Smith being put first?

Senator Martin: I would rather my motion be put first.

Senator Hornsby: I want my position in this matter clearly and definitely understood. I am not attempting or asking that any process be issued for Mr. Cravens, and if it is the wish and will of this Senate that I telephone and ask him whether he wants to come and he doesn't want to make a statement, that clears the matter as far as I am concerned. I am not one of the managers and have nothing to do with summoning witnesses.

Senator Purl: What time can you get the witness here?

Senator Hornsby: I am not asking for any witness. If he says he doesn't care to come to make any statement to explain the position of his bank, it is all right with me, but I think he ought to be given the opportunity, if he wants to come.

Senator Martin: I have asked for this witness to be summoned here, to bring these records. As I stated a moment ago, when I was at home yesterday I heard the rumor there with reference to these securities having been placed up with the Refinance Corporation for the benefit of the Security Trust Company. I don't know a man in the Security Trust Company; if I do, I don't know it. I don't know a man in the American National Bank; if I do, I don't know it now, but I do know that we should not stop this proceeding at this time with that in the minds of anybody. If that is not true, I want to prove it is not true. If those bonds have not been shifted in any way whatever I want to prove that fact, and if there has been any shifting I want to prove that fact. In the first instance it is right for them to have that evidence in here. They are not asking me to do that. I am not bringing any brief or holding any brief for them, but I am holding one for my people at home and I don't want my people left up there in the air. I want them to know what the facts

are if I can ascertain those facts. If it is true, I want them to know what the facts are. For that reason I hope you will agree to let us ask for process for Mr. Cravens to come here and bring those records and the list and show that matter up, at least.

The Chair: The question is on the substitute motion of the Senator from Hill, to let the Committee stand at ease for twenty minutes and process be issued for Mr. Cravens asking him to bring the list already mentioned. Those in favor of the substitute motion vote aye; those not in favor of it vote no.

(Thereupon, the Secretary called the roll and the vote was 19 yeas and 9 nays, two present and not voting.)

Senator Woodward: I want to read into the record my reason for voting no. I am voting no because it is my understanding unofficially that matter has already been investigated by the Attorney General's Department, and the securities have all been found to be intact. It is a useless consumption of time.

Senator Oneal: I voted aye because I understood Mr. Cravens wanted to come before the Committee to make a statement. He is a personal friend of mine and if he wants to make a statement I would like for him to have the opportunity.

The Chair: The Committee will stand at ease until ten minutes after three o'clock.

(At 3:15 o'clock p. m. the Committee was called to order by the Chair, when the following proceedings were had, to-wit):

Mr. E. P. Cravens was thereupon called as a witness, and was duly sworn by the Chair, and testified as follows:

The Chair: Who is to interrogate this witness?

Senator Martin: I wanted to propound some questions to him, Mr. Chairman.

The Chair: Senator Martin.

Questions by Senator Martin.

Q. Mr. Cravens, what are your initials?

A. E. P.

Q. Where do you reside?

A. Austin.

Q. What is your business or occupation?

A. Vice-president of the Security Trust Company.

Q. Being vice-president of the Security Trust Company, are you what would be termed an active vice-president?

A. Yes, sir.

Q. Your official position requires of you to be familiar with the affairs of your institution?

A. Yes, sir.

Q. How long have you been vice-president, Mr. Cravens?

A. Well, for approximately ten years; in fact, I have been connected with the institution ever since its organization, Senator.

Q. How long has it been in existence.

A. Since October, 1920.

Q. It is a duly chartered corporation of the State, is it?

A. Yes, sir.

Q. And you have been connected with it since its organization, but you didn't say how long you had been active vice-president?

A. Well, I don't know; I was cashier to start with, I believe, and as some details connected with that place, I wouldn't be exactly familiar with them; I was listed as a vice-president for some years, and in the last four or five years they changed that name to active vice-president.

Q. Then you have been active vice-president for the last four or five years?

A. Yes, sir.

Q. As active vice-president of that institution, are you connected with the bond buying department?

A. Yes, sir.

Q. And you take an active part in that part of your institution?

A. Yes, sir.

Q. Were you taking an active part in that part of the institution in 1928 and 1929?

A. Yes, sir.

Q. Also with reference to acting as depositories for the various counties, are you familiar with that department?

A. Yes, sir.

Q. And in buying county bonds you would frequently make your bids with the understanding that they were to use your place as the depository, wouldn't you?

A. Yes, sir.

Q. Now, your bank is acting as the county depository for Andrews County, is it?

A. Yes, sir.

Q. How long has it been acting as the depository for Andrews County?

A. Without the records, Senator—in other words, I have the information down there in regard to all these depository contracts, but without it, I couldn't give you the exact date.

Q. Do you know whether or not your institution bought the bonds from Andrews County?

A. We didn't buy the bonds from Andrews County.

Q. If they sold the bonds on the open market, someone else has merely selected your bank as the depository?

A. Yes, sir, someone selected it as the depository; in some instances, we purchased the bonds and stipulated in our contract that we were to be the depository; in other instances, the money was placed with us by the counties at the instance of the bond buyers.

Q. Now, that's at the instance of other bond buyers.

A. Yes, sir.

Q. Whether it was at the instance of other bond buyers or not, you did act as the depository for Andrews County, and they did put up the cash in your bank?

A. Yes, sir.

Q. Do you know when that was first done? That is to say, when your bank was first selected as the depository for Andrews County?

A. My recollection is that it was in the spring of 1931.

Q. Andrews County brought the money, you think now, and deposited it in your bank in the early part of 1931?

A. Yes, sir.

Q. At the time that Andrews County made that deposit, did your institution give to Andrews County any security of any kind to guarantee that deposit?

A. Yes, sir.

Q. What did that security consist of?

A. Well, I couldn't state, Senator.

Q. What records of your institution now have a complete list of

whatever it was, whatever securities your bank put up? Your institution would now have a complete record of all securities that were placed up by it to secure Andrews County for its deposit, would it not?

A. Our institution has a record today of the securities securing that deposit now; as to whether or not it had a record of the securities originally placed there, I would not say.

Q. Wouldn't your institution make a permanent record of the securities that were placed up there when the cash was first deposited with you?

A. Senator, just for your information, and I brought this along to show you—when we deposit securities to cover an account with the bank which has been selected as trustee, we take from them a receipt for those securities.

Q. Listing them all?

A. Listing each bond issue on the institution receipt.

Q. All right now then, when you select a bank to act as a trustee, then that bank gives you a receipt listing all the bonds?

A. Yes, sir.

Q. Do you know what bank acted as trustee for Andrews County?

A. Yes, sir, the same one that is acting now.

Q. What bank is that?

A. The American National Bank in Austin.

Q. Now then, at any time, if there is any change made in the bonds from the time they were originally put up there up until the end of that trusteeship, there would have to be a record made of that wouldn't there?

A. There would be a surrender of a receipt and a receipt issued in lieu thereof.

Q. Then if there is a security that is now held by the American National Bank as trustee, securing Andrews County for a deposit made by Andrews County with your bank, if not the same as they were originally when the deposit was first made, the American National Bank ought to have that record, ought it not?

A. Yes, sir, I presume they have.

Q. In other words, any time there are any shifts made in these

bonds that bank would have to ask for the receipt and give you another receipt?

A. That's right.

Q. What kind of a receipt is that they give you? Is it made out in duplicate?

A. Yes, sir, they keep one and we keep one.

Q. Is it a stub or a carbon copy?

A. Carbon copy.

Q. They leave the carbon copy in the book, do they? It is in book form?

A. No, sir, these are separate receipts, and they keep the carbon copy in their files, and they give us the original receipt for our files.

Q. And whenever you ask for a change in those bonds and you surrender back that receipt, then they have both the receipt and the carbon copy?

A. They issue to me a new receipt covering the bonds placed with them.

Q. But they would have the old receipt and the carbon copy too?

A. They would have it at the time. Now, as to whether or not they have kept them, I don't know. Of course, that's a matter for their records.

Q. I understand; what particular men in the American National Bank has charge of that?

A. Mr. L. D. Williams, Cashier.

Q. Who?

A. L. D. Williams, Cashier.

Q. He is the man that would give you the receipt?

A. Yes, sir.

Q. And he is the man you would deal with when you would ask for any changes?

A. Yes, sir.

Q. Now, from your own independent recollection can you state whether or not Andrews County has the same bonds up with the American National Bank today that it had up there when this deposit was first made?

A. No, sir, I couldn't.

Q. Do you have any recollection of any changes having been made?

A. No, sir; I don't.

Q. Do you now have a receipt from the American National Bank covering any securities put up there by that bank to secure Andrews County?

A. Yes, sir.

Q. See the date of it, will you please?

A. In August, 1932.

Q. What else?

A. January, 1932; April, 1932; July, 1931; May, 1932; May, 1932; December, 1931; January, 1932; January, 1933; January, 1932; January, 1932; December, 1931; January, 1932; and June, 1931.

Q. Now, from the number of the receipts you have there from the American National Bank it shows that there has been different receipts issued: would you know from that that there had been changes in those securities?

A. There are bound to have substitutions from the dates here.

Q. That is because you say you became the depository for Andrews County in the early part of 1931?

A. Yes, sir.

Q. Now, do you say that your bank wouldn't have any permanent record of any of the bonds that were originally placed with the American National Bank as securities?

A. The American National Bank records would show the information; in handling the millions of bonds we have, Senator, I could not attempt to state offhand; in other words, we would have to dig them out of our records, and I would be awfully glad to do that for you, if you wish.

Q. Would not your bookkeeping department have to show the disposition of any bond that your institution might hold at any time?

A. No, sir. Our records would have to show at any one time whether or not the bonds were in our vault or were in some one else's possession as securities for some deposit made; they would show that at all times.

Q. Your institution would not make any permanent record or any permanent account of any of the bonds that were placed up with the American National Bank and you would not have any record then, but just the mere receipts from the American National Bank?

A. That's what we have always had.

Q. And that's all you have had, is it?

A. Yes, sir.

Q. And you don't think your bookkeeper would make out any permanent list for your institution?

A. No sir; there wouldn't be any necessity for it, because there would either be the bonds there or we would have a receipt for the bonds.

Q. Then if you don't have that list and you don't have a receipt, you wouldn't have any way of knowing what the American National Bank might have?

A. Not unless we could get a duplicate from them; they are not over two blocks from us and it wouldn't be a very hard matter to do that.

Q. When you get your bonds, don't your bookkeeping department make any entry anywhere with reference to them, what bonds they are?

A. Yes, sir, we have a bond ledger, showing at all times the bonds we own.

Q. But you don't keep any record in that bond ledger as to where those bonds are at any particular time?

A. We have an entry on the back of each sheet, showing where the bonds are.

Q. Then you would have a record showing where they are, wouldn't you?

A. No, sir; you see that is a pencil record for our information, and whenever that bond—for instance, suppose we had that bond in our vault and we sold that bond, then the erasure would be made on the back of the—that's not typical of the example that I had in mind; suppose we had that bond, that it was pledged with Andrews County, and it was later drawn down in money, that they paid out the bonds and released us and then we pledged them later with some other county, then an entry would have been made on the back of that ledger sheet showing what county it was placed with.

Q. The notation made on the ledger sheet would show that it was put up?

A. We have a bond ledger and on the ledger itself is a description of that bond, and then on the back of the sheet is a memorandum in pencil as to where that bond is; for your information, however, if that bond is placed somewhere else, an erasure is made of our pencil memorandum, and a notation is made as to where the bond has been placed.

Q. Mr. Cravens, would your institution keep books by making entries and erasures?

A. You do not understand Senator. We have a receipt for that bond. In other word, we are prepared at any time to produce that bond or a receipt for it.

Q. But you are not prepared at any time, or you do not keep a complete history of what you have been doing with that bond from the time it came into your hands?

A. No, sir, we could not.

Q. Because you would make an entry on that sheet and later on erase it and put something else there?

A. In other words we keep a complete history where that bond was any time.

Q. And when it came back you marked that first entry out, is that it?

A. We would absolutely put a notation on there as to where it was.

Q. But I say, you would make a notation when it went out, where it was, and when it came back you would erase all of that, it wasn't out anywhere then?

A. If it was out and came back into our hands and went into our vaults we would put a memorandum that it was in our vaults and it would be there.

Q. You would put a memorandum showing that it was in the vault then you would erase what was on the back of the sheet?

A. I just said I would.

Q. What?

A. In other words, instead of tracing your bonds as you think we should, a history of the entire transaction, we have at all times a record in our bank as to where the bond is.

Q. Where it is, but do you have a record of where it has been?

A. No, sir, we haven't.

Q. You don't have that?

A. No, sir.

Q. That is what I wanted to get.

A. We haven't got that.

Q. I noticed you have Bell county listed, or we have it here as one of the depositors. Do you remember whether you bought their bonds or whether that was cash deposited?

A. We bought the Bell County bonds.

Q. Would you have any way at this time of showing how you secured Bell County for that deposit, when your bank was selected for depository for that fund?

A. We have three receipts bearing the same date, November 3, 1921. I would not be prepared to state from memory about those dates, but we have three receipts, Senator, showing the bonds we have.

Q. You have three receipts from the American National Bank?

A. Yes, sir.

Q. Dated when?

A. November 3, 1931.

Q. November 3, 1931?

A. Yes, sir.

Q. Do you know where those particular bonds are now?

A. These bonds?

Q. Yes.

A. They are with the American National Bank.

Q. The Bell County bonds, do you know where they are?

A. You mean the bonds which we purchased?

Q. Yes.

A. I don't know, I couldn't say.

Q. Do you know whether you sold any of them or not?

A. No. I am sure we don't own them. They were sold. Our records would show probably to whom we sold them.

Q. Are you certain, Mr. Cravens, they were sold?

A. Yes, sir.

Q. You don't think they were put up somewhere as security for money borrowed?

A. I say I am sure they were sold—I wouldn't say positively all of them were sold or whether money was borrowed on some of them, that may be.

Q. What security do your receipts there show that the American National Bank has now to secure Bell County?

A. \$25,000 Liberty County 5% road bonds; \$45,000 City of Corpus Christi, and \$1,000 Live Oak County bonds.

Q. Are you or not prepared to say whether those are the identical bonds placed in security at the time you got the Bell County bonds?

A. No, sir, I am not.

Q. Could you say with reference to any of these bonds listed, for instance, in Bowie County, Colorado County, Concho County, Gaines County, Liberty County, Lipscomb County, Live Oak County, Madison County, Matagorda County, Reagan County, Refugio County, San Jacinto County, Tyler County, Van Zandt

County, Wheeler County, and Wood County—can you state whether or not the bonds that are now held by the American National Bank to secure these particular counties for the deposits made in your bank, the bonds, that are in the American National Bank now, are the same bonds that were put up when your bank was selected as the county depository?

A. I am not prepared to say that.

Q. And you could not ascertain that fact from any record in your institution?

A. Not that I know of.

Q. Not that you know of?

A. No, sir.

Q. How long has it been since you have kept books in your institution?

A. You mean how long since I have kept books?

Q. Yes?

A. I have not kept books.

Q. Who is your head bookkeeper?

A. Mr. Nelson is our bookkeeper.

Q. What are his initials?

A. Joe Nelson.

Q. He is now your bookkeeper?

A. Yes, sir.

Q. How long has he been your bookkeeper?

A. Oh, for a number of years.

Q. Then if you should have any record in your bank he would know about it?

A. Yes.

Q. Mr. Cravens, you knew about the agreement that was entered into between your bank and the county judges or the commissioners courts of these various counties and the Highway Department in the early part of the year 1932, wherein, or by virtue of which agreement, the Highway Department were holding the warrants issued by the counties for which your institution is a depository, agreeing not to present them except as it might be thereafter determined it should be presented?

A. Yes.

Q. You are familiar with that, are you not?

A. Yes, sir.

Q. Do you remember what time that agreement was entered into?

A. As I remember it was in either January or February of last year, that is my recollection. We have plenty of executed copies of those agreements, the dates appearing on them. The exact dates of

those instruments of course, we would be very glad to give you.

Q. Now, I want to get at this point, Mr. Cravens, was there a new contract or agreement entered into between your institution and these various counties in January, 1932 with reference to your bank acting as a depository for the counties?

A. There was an assignment,— there was an agreement entered into between the Highway Department, the counties and the Security Trust Company, I believe, and the American National Bank as trustees.

Q. You have a copy of that agreement, have you?

A. I have plenty of them at the office, I haven't any with me.

Q. Did they enter into a separate, distinct contract with reference to each county or was it one general contract?

A. It was a separate contract with reference to each county.

Q. Every county entered into its own contract?

A. That is right.

Q. That is with reference to January, 1932.

A. Yes, sir.

Q. Now your institution was already acting as county depository for these various counties prior to January, 1932, was it not?

A. Yes, sir.

Q. And your institution had already put up security with the American National Bank to secure these counties?

A. Yes, sir.

Q. And these counties were issuing warrants to the Highway Departments to pay their part of the road building projects that were going on in these counties?

A. That is right.

Q. Why was it necessary, if the Highway Department was going to sit and hold these warrants, why was it necessary to enter into any new contracts or agreements with the counties?

A. The Highway Department prepared that contract, and that was their method of handling it.

Q. They prepared the contract?

A. Yes, sir.

Q. When did they prepare the contracts?

A. At the time of the execution. Have you one of those contracts before you?

Q. Yes, I think I have.

A. What is the date of one of those contracts?

Q. This is only a form. Let's see just a minute — —

A. (Interrupting) I have plenty of executed copies at the office.

Q. This is not dated. Did you enter into a contract like that prior to January, 1932, with the counties?

A. No, not a contract like that, Senator.

Q. I don't know that that is the kind of contract you have reference to. I will exhibit it to you in a minute and let you pass upon it. I will ask you to examine that and see if that was the kind of contract entered into. (Senator Martin exhibits a paper to the witness.)

A. Senator, this is not the form of contract I was referring to, the new contract we entered into.

Q. The new contract?

A. Yes. This is the old contract.

Q. Could you ask someone to call down to your department and ask them to bring up two or three or four of those contracts that we may have them here to examine?

A. Yes, I will do that.

Q. This contract here is the old contract that was entered into prior to the January, 1932, agreement?

A. Yes, sir.

Senator Woodward: Senator Martin, I think there is one of those in the record already.

Q. Mr. Cravens, one of the contracts entered into in January, 1932, the same, that is to say the same kind of contract, the same wording in every one of the contracts, were they the same with all of these counties?

A. That is my understanding. We signed them as they were brought down there to us.

Q. You don't think there is anything in any of these contracts providing that the entering into of them should not change or alter any orders theretofore made by the Highway Department?

A. I don't know. I suggest we get one of those contracts and see exactly.

Q. You wouldn't undertake to say what they contained or whether they were all exactly the same or not?

A. I think they were. They were all on printed forms as I understand.

Q. Now, Mr. Cravens, prior to



January, 1932, prior to the date when these county judges and commissioners of the various counties using your institution as a depository appeared in Austin, and prior to the date on which you entered into this contract with them and the Highway Department and the American National Bank, your institution had had a matter of a loan up with the Reconstruction Finance Corporation, hadn't it?

A. The Reconstruction Finance Corporation loan matter came up afterwards.

Q. Came up afterwards?

A. Yes, sir.

Q. There had not been any correspondence by any man representing your institution with any of the officials of the Refinance Corporation with reference to procuring a loan prior to that date?

A. At the time the county judges were here, and later on at Dallas, when we had a meeting with certain banks to which our institution was indebted,—for instance those people were told that we owed, and the Reconstruction Finance Corporation were told also, I know the banks in Dallas were. That was along about that same time. That loan by the Reconstruction Finance Corporation bore date February 26, 1932.

Q. What's that date, February 26th?

A. Yes, sir, our loan with the R. F. C. was prior to the date of February 26th, but I know—you see they were not—we got one of the first loans that were made by the San Antonio Agency, the machinery had not been put in operation at that time.

Q. Mr. Cravens, don't you know as a matter of fact that your attorney, Mr. Keeling,—he represents your institution?

A. He is not our attorney. He owns stock in our institution and is on the board.

Q. He is on your board?

A. Yes, sir.

Q. Don't you know as one of the Board of Directors he had had the matter up with the Refinance Corporation, and had received back from them just exactly what had to be done before that loan could be made, he had all of that in his hands prior to the date of the meeting of the county judges?

A. I don't know that to be a fact. I think you are wrong about that.

Q. As a member of your board any correspondence he had would be in the files of your institution?

A. Probably found in his file.

Q. You don't think your institution would have the copies or anything?

A. No. I am sure that can all be verified, but I am sure at that time we probably hadn't gotten any requirements from the R. F. C. definitely as to what they required.

Q. But you wouldn't say you hadn't been corresponding with them,—that he hadn't been corresponding with them?

A. No, I wouldn't say; he would be best qualified to answer himself.

Q. You hadn't seen any such correspondence?

A. No, sir.

Q. Mr. Cravens, don't you know as a matter of fact that when this meeting was had here, these county judges, to get an agreement made of shifting of the securities which they held in the American National Bank with the end that your institution that might make that loan or might get that loan?

A. State that again, Senator.

Q. Don't you know that the meeting of these county judges here and the county commissioners,—and the agreement they entered into at that time with your institution, the Highway Department and the American National Bank, in which these bonds were placed, that the agreement, by the terms of which or reason of which your institution was able to shift these bonds these counties held prior to that time was in order that you might get a loan from the Refinance Corporation?

A. No. In talking with the Refinance Corporation Agency in San Antonio,—it was a new thing to them, and one of our first conversations with them over there was in regard to the amount of loans we might get and for what purpose, and they stated the only thing they would be interested in would be the relieving of banking institutions whom we owed.

Q. Banking institutions whom you owed?

A. Yes, sir, in other words, they stated—

Q. (Interrupting) In other words, they wouldn't make any loan to you to cover part of what you might owe the counties?

A. That's right.

Q. Now, you say that was one of the conditions or one of the considerations, that they would only be interested in making you a loan that would relieve other institutions that you owed?

A. Yes, sir.

Q. You never have answered whether or not in January, 1932, at the time that the commissioners were here that there was a shifting of the bonds, that is to say, exchange of bonds, that these counties already held as security for their deposit with you?

A. No, sir.

Q. Was no change or shift at all?

A. No, sir, in other words, the bonds placed with the R. F. C. were bonds held by other banking institutions to secure loans which we had with them.

Q. And none of them had prior thereto been up with the American National Bank or any other institution as trustee to secure these counties?

A. I don't say they never had been at any time,—none of them.

Q. Refer back to Andrews County, read the date of your receipt?

A. August 25th, 1932; January 25th, 1932—

Q. (Interrupting) Wait a minute, right there, January 25th, 1932. Do you remember the date on which these contracts were entered into with these counties?

A. No, I don't.

Q. You don't know whether it was on January 25th, 1932, or not?

A. No, I don't.

Q. Can you give any particular reason why you got another receipt from the American National Bank on that day?

A. No, I can't.

Q. The American National Bank had been acting as trustee prior to that time for your institution and these counties and was holding the bonds to secure the county's account. Can you give any reason why the receipt bears date of January 25th, 1932?

A. No, sir, I can't, Senator, but just to clear your mind about this matter, these loans we had with all these banks,—if you know the banking conditions existing at that time, they were loans we had owed those banks several months. In other words, no new loans were obtainable

in banks in December or November, as far as that is concerned.

Q. But prior to the meeting here in January had there been any shifting of bonds, do you know whether there had been any shifting of bonds in January?

A. Were any bonds shifted to the R. F. C.?

Q. Yes, sir.

A. There were none to the R. F. C. If it was done, it was just done in the nature of business,—no wholesale shifting of bonds.

Q. What you mean to say is—

A. (Interrupting) What I mean to say is that if we had disposed of any bonds or substituted a bond at that time it would have been the usual procedure. In other words, there was no attempt to substitute bonds at that time,—at the time of the R. F. C. loan or at the time of the meeting of the county judges here. In other words, when they were here a complete list was furnished them of the securities.

Q. Furnished whom?

A. The county judges, each one as they came in and went into this meeting, why, we prepared for them. at that time, a complete list of their securities for the benefit of their meeting here.

Q. You don't think they had a complete list prior to that?

A. They may not have brought it down. In other words, they came down here in response to a wire, and some of them came down here without any list, and so we gave them one anyhow, a complete list of the securities their county had at that time.

Q. And after they executed this contract and agreement here when any bonds were shifted of any kind the Highway Department had to give its consent?

A. That's right.

Q. In writing?

A. Oh, it was in writing, yes, sir.

Q. Do you think that there has been any change of bonds since you entered into the contract in 1932?

A. Oh, I think there have been a few exchanges.

Q. And in each and every instance the Highway Department gave its consent in writing?

A. Yes, sir.

Q. You would have that in your records, files?

A. We will either have them ourselves or the other bank will; they

would have to have them for their protection.

Q. They would have to have them for their protection?

A. Yes, sir.

Q. In other words, that might not come through your hands, or might go direct from the Highway Department to the trustee bank?

A. Yes, sir, a letter probably would be written by the county addressed to the American National Bank, subject to approval of the State Highway Commission, and they authorized the release of such and such bonds.

Q. Let's look over some of the receipts. Take for instance, Concho County. Can you find Concho County?

A. Yes, sir.

Q. Did you find Concho County?

A. Yes, sir.

Q. How many receipts do you find from the trustee bank there?

A. Six.

Q. What are their dates?

A. October, 1931, December 24th, 1931, December 21, 1931, October 27th, 1931, August 3rd, 1931, and February 19th, 1932.

Q. The first one you have is in October, 1931?

A. Yes, sir.

Q. Your bank then was acting as depository for Concho County, prior to that time, was it?

A. Yes, sir.

Q. At the time the money was placed in your institution by Concho County, you at that time made such bond as they required? In other words, put up the collateral?

A. Yes, sir.

Q. With the trustee institution?

A. Yes, sir.

Q. In every one of those receipts it would at least show there had been at that particular time a change in the securities?

A. Yes, sir.

Q. Did the contract you had with the commissioners court provide you had to get their agreement in writing that these changes might be made?

A. I don't think so.

Q. Or do you say your institution could put up just such bonds with the American National Bank, such bonds as were sufficient to satisfy the commissioners court of Concho County, and later on, with-

out consulting them, you could exchange those bonds?

A. I think so.

Q. How is that?

A. I think so.

Q. And you did do such?

A. Yes, sir.

Q. And you couldn't find any record as you know in your institution that would show what particular bonds were shifted or exchanged?

A. I don't think so.

Q. And so far as you know the American National Bank wouldn't have any such record?

A. I wouldn't attempt to say that. I wouldn't answer for their records. I wouldn't say.

Q. Let's take another county here, for instance. Let's take Live Oak County. How many receipts do you have from the American National Bank for Live Oak County?

A. Ten.

Q. Ten different receipts?

A. Yes, sir.

Q. What are their dates?

A. December 21st, 1931, February 10th, 1931, December 21st, 1931, January 13th, 1932, February 10th, 1931, October 15th, 1930, February 10th, 1931, January 13th, 1932, February 12th, 1932, December 21st, 1931.

Q. You said a moment ago those particular receipts would show at that particular time you had up other securities which you already had up with the American National Bank?

A. Yes, sir.

Q. And you didn't have to get the consent of the county whose deposits at that time?

A. That is my understanding.

Q. Do you have a contract or copy of a contract you entered into with those counties before January, 1932?

A. Yes, sir.

Q. Did those contracts give you the right to make the changes of those securities when you saw fit?

A. It gave us a right to make substitutions.

Q. Without the consent of the commissioners court?

A. Yes, sir.

Q. Did you have to get the consent of anybody to make them?

A. As I understand, I don't think we did.

A. You don't think you had to get the consent of anyone?

A. No, sir.

Q. Let me ask this question. Did you ever at any time, or your institution at any time take the original bonds that were purchased from any particular county and put those bonds up with the American National Bank to secure deposits?

A. We may have done that. I think we probably did, in several instances.

Q. You think you probably did in several instances?

A. Yes, sir.

Q. Can you mention what particular counties?

A. In other words, if those bonds were not sold at the time, we probably did. If they were sold, or contracted to be sold, we would use some other bonds. It was purely a matter of convenience.

Q. If they were not sold or contracted — — —

A. (Interrupting) What is that?

Q. If they were not sold, or contracted to be sold, you would ordinarily just put them up?

A. We would at least put up some of them. There was no particular policy that we put up these bonds. We used some of their bonds and some others.

Q. Did these county judges ever call upon you to give them a complete list of their bonds you were putting up with the American National Bank, before you put them up to secure these deposits?

A. I can't say. The carrying out of the contracts,—that is, the visible carrying out of them, was done by some of my employees, and I don't know just the circumstances surrounding it. Sometimes the judges came down and sometimes they did not. I wouldn't be prepared to say whether or not they had a complete list at all times of those securities.

Q. You wouldn't be prepared to say that every time you made a change in the securities that you gave them notice of that fact?

A. No, sir.

Q. In other words, you wouldn't be prepared to say you didn't give them notice,—either way, you wouldn't say it either way?

A. No, sir, I say this, that I don't think notice was required and

I feel positive that no notice was given.

Senator Martin: Mr. Chairman, I ask to surrender the witness for a little time until I can examine these papers, please.

Questions by Senator Sanderford.

Q. Mr. Cravens, does the Security Trust Company come under the State Banking Commission?

A. Yes, sir.

Q. What is the capital stock of the Security Trust Company?

A. \$400,000.00.

Q. What is the surplus, now, do you know?

A. \$400,000.00.

Q. \$400,000.00 capital? And \$400,000.00 surplus?

A. Yes, sir.

Q. What are the assets of the bank?

A. You mean — — —

Q. Your last statement. What do your assets show?

A. I think around \$8,000,000.

Q. Around \$8,000,000?

A. Yes, sir.

Q. Mr. Cravens, when you—before you got the loan from the Reconstruction Finance Corporation, wasn't it necessary for you to enter into a contract with them, or did you submit them a contract prior to receiving the loan?

A. No. We entered into negotiations, Senator, and filed our formal request. In fact, they have an application that is a regular book which we filled out and submitted it to the San Antonio agency and made application through them.

Q. Where was the loan granted?

A. In Washington.

Q. Were you in Washington?

A. Yes, sir.

Q. At the time the loan was granted?

A. Yes, sir.

Q. Who else was with you?

A. General Keeling was there at the time the loan was granted, and Mr. Caswell and T. H. Davis of the Austin National Bank.

Q. No one else?

A. No, sir.

Q. Now, how many banks, Mr. Cravens, were you indebted to at the time you made this loan with the Reconstruction Finance Corporation?

A. As I remember it, Senator, there were approximately 31 banks. It has

been our custom in the past, not only to handle depository accounts for counties, but we also made a business of furnishing bonds to banks under a guaranty agreement for them to secure their deposits, and we owed approximately 31 banks at the time of the Reconstruction Finance Corporation loan.

Q. Under this loan did you have some kind of repurchase agreement for the securities you put up with them for the loan?

A. We guaranteed them against loss.

Q. You guaranteed them against loss?

A. Yes, sir.

Q. And in order to keep those banks from losing it was necessary for your bank to make this loan?

A. Yes, sir, in view of the stringent financial conditions existing at that time. Quite a number of those banks needed their money and it was in order to relieve them that they granted our request for a loan.

Q. Were there any large withdrawals of county or State funds that caused you to have to have these 31 bank loans over the State?

A. No, sir. A large number were banks to whom we were furnishing bonds, but during the months of, I will say, October, September and November of 1930, we paid out quite a good deal of money and borrowed quite a good deal of money.

Q. Was that the permanent University fund, or the building fund? Was that when they started this big building program?

A. The University had not drawn much money. A lot was highway work, and then we had a bank failure in San Antonio that caused quite a number of withdrawals from our institution, and conditions were very very stringent in a financial way at that time.

Q. Did the City of Austin use your bank as a depository?

A. No, sir. The City of Austin did not, directly. Their depository secured bonds from us at that time.

Q. Did Travis County?

A. Yes, sir.

Q. They did?

A. Yes, sir.

Q. Do they now?

A. No, sir, Travis County does not.

Q. When did they withdraw their account?

A. That account was paid—was re-

imbursed at the time of the Reconstruction Finance Corporation loan.

Q. Was that in full?

A. Yes, sir.

Q. How much was that, do you remember?

A. I don't remember.

Q. Half a million dollars?

A. Less than half a million. I would say roughly probably around three hundred and fifty thousand dollars, something like that.

Q. But they made their, withdrawals without any loss whatever. They got theirs out, did they not?

A. Yes, sir.

Q. That happened long after the time that the State Highway Department was holding warrants from these counties against your bank, did it not?

A. That happened afterwards, yes, sir.

Q. If the Highway Department had presented those checks that they had been holding when you received that Reconstruction Finance Corporation loan, would they have been cashed?

A. No, sir.

Q. They wouldn't?

A. No, sir. We didn't receive the proceeds from the Reconstruction Finance Corporation loan in our institution. It went to the Federal Reserve Bank at San Antonio.

Q. Then out of what funds did Travis County withdraw?

A. They sent their securities to the Reconstruction Finance Corporation and they were taken up by them. In other words, they were forwarded to the Federal Reserve Bank at San Antonio for payment.

Q. Now, if these various counties with their bonds in escrow had of thought about that and sent them to the Reconstruction Finance Corporation they could have gotten theirs cashed also?

A. No, sir. The Reconstruction Finance Corporation required us to margin our bonds to 90 cents and at the time we became involved the Travis County deposit was at a low ebb. Tax remittances were coming in during January and that stopped the flow of that money into the Trust Company and it was to our advantage to cash in, and it was that excess that helped us margin the bonds down with the Reconstruction Finance Corporation.

Q. Why wouldn't it have been good business and to your advantage to

have included all these escrow bonds in there and gotten enough to have—

A. (Interrupting) It would have been fine if they would have done it. We made the suggestion that they do it.

Q. Did their appraisal committee go over all your bonds, all your assets, and select the ones on which they made your loan?

Senator Martin: Will you wait a minute until I speak to Mr. Cravens?

Q. Did the appraisal committee of the Reconstruction Finance Corporation go over all of your bonds that you had and select the ones on which they would loan you money?

A. No, sir. They made the proposition they would only loan where banks were involved and they would make no loans that would take care of any counties at all. However, in trying to margin our bonds down we had to put in this Travis County account where the margin was great enough to help us in margining the rest of our bonds down to 90.

Q. And Travis County, as a result of that, got full credit for all of their deposits?

A. Yes, sir.

Q. You don't know whether Bell County was in that or not?

A. Was in what?

Q. Whether the Bell County bonds were in that group that went to the R. F. C.

A. No, sir.

Q. You mean you don't know about that?

A. No, sir.

Q. You just made the statement that the R. F. C. would not loan on any matters unless it was for the relief of banks; how then did you get Travis County in on that, when their policy was not to loan on any matters unless it was for the relief of banks?

A. Simply and solely because we had to get Travis County, because of the margin that existed in that county at that time.

Q. Do you mean—

A. If we had had Travis County later on—in other words, their tax collections were coming in, and we were the regular depository of Travis County, and all their tax money would have to come in to us.

Q. In other words, Travis County wouldn't permit their bonds to go up there for a loan—

A. In other words, Travis County

by reason of the fact that this all happened at the time when we had an excess, they took advantage of it naturally; before releasing the bonds to the R. F. C., they required that they be paid off in full—

Q. (Interrupting) The R. F. C. required that, you mean?

A. Travis County required it; in other words, Travis County would not surrender her bonds until the R. F. C. paid them off.

Q. The truth about that whole situation is, if I understand it, that the choice, selected securities were all taken and placed with the R. F. C. for a loan and the chaff of the group were put in escrow for these counties?

A. You are wrong. The counties had what they had, Senator, and there was no—at the time of that loan, there were loans that had been made months prior—in other words, there had been no new loans made for a long time prior to that by the bank. There was not any shifting of bonds to provide for any requirement of the R. F. C. In other words, the R. F. C. took the bonds of every bank that was submitted. In other words, there was no bank left out; they took everything that was submitted to them.

Q. And the Travis County securities?

A. Yes, sir, but the R. F. C.—I will say this: there are certain Texas counties that I consider good and yet whose bonds at that time were not selling at any high figure and are now not selling at any high figure, and I say that the R. F. C. took all of those bonds regardless.

Q. Those bonds that are in escrow to secure the county deposits, did you consider them worth a hundred cents on the dollar when you put them up to secure those accounts?

A. In other words, those that were put up were intrinsically worth a hundred cents on the dollar.

Q. What do you mean by intrinsically?

A. I mean to say that they were good and we figured them on the basis they would have been paid on maturity sale; of course, we paid more than par plus for some and less than par plus for others.

Q. As an estimate, approximately what do you figure they would bring on the market today?

A. It is hard to estimate; there is no particular market for the bonds now; it is just mere speculation as to what they would sell for.

Q. Well, you are a bond man, aren't you?

A. I thought I was. I would not qualify as an expert. In fact, I think we all have learned a lot, but I will say this: I thought I was a bond man; I had about ten years experience as a bond man.

Q. There is over two million dollars worth of those bonds up, isn't there?

A. Yes, sir.

Q. Now, today, those bonds are not worth, if they were to sell them out, forty cents on the dollar, are they?

Q. Well, I wouldn't be quite that harsh with them. I understand that you have had some comments along that line.

Q. They are not worth over fifty cents on the dollar, are they?

A. No, sir, on a sacrifice sale, I don't know that they would bring over fifty or sixty cents.

Q. Then, on today's market, there is a million dollars loss on that two million dollars, isn't there?

A. I don't know whether you could find a market for two million dollars worth of bonds today or not.

Q. I didn't ask you anything about finding a market for them; I just asked you if there was that much loss on them?

A. There is not a good market for bonds today; you might get an expert that will tell you a certain bond is worth fifty cents on the dollar, and another expert will tell you it is worth eighty cents.

Q. They are worth just what they will bring if they are sold in the open market, aren't they, just like a mule or a cow?

A. Well, in other words, if there is no market at all, then they are not worth anything?

Q. Yes, sir, and some of them down there are not worth anything, are they?

A. I understand that you have been so informed.

Q. I am asking you if some of them down there are not worth anything?

A. Well, I wouldn't say that they weren't worth anything.

Q. Are there some worth a hundred cents on the dollar?

A. I don't think there are, that would bring that much if sacrificed at the present time.

Q. On today's market, I am talking about, isn't there a million dollar loss on those bonds put up in escrow down there?

A. If they were sold today, there would be a considerable loss.

Q. Well, if they brought fifty per cent of their value, it would be a million dollar loss, wouldn't it?

A. Yes, sir; in other words, there is a loss on the bonds.

Q. And the percentage would figure around a million dollar loss on today's market, if you got out and sold them on the open market, wouldn't it?

Senator Woodruff: Mr. Chairman, the witness has been asked that question and he has answered it about three times already. We don't like to object to it, but we think that it is unnecessary repetitions, and merely encumbering the record, because the witness has answered the question twice at least.

Senator Sanderford: May I ask the Senator what his answer was? What was his answer?

Senator Woodruff: He said if they were sold on the market today, there would be a loss.

Senator Sanderford: Then I asked how much loss.

Senator Woodruff: And he said that would depend on how much they sold for.

Questions by Senator Sanderford.

Q. If there is no market for them, there is a two million dollar loss, isn't there?

A. If you couldn't get anybody to buy them, there would be, yes, sir, if they were dumped on the market at this time.

Senator Woodul: Has anybody tried to sell them on the market yet?

Senator Sanderford: I haven't.

Senator Woodul: Is anybody foolish enough to?

Questions by Senator Sanderford.

Q. On the bonds that you substituted down there, what did you do with the ones that you took out?

A. They were either traded or put on some other accounts; in other words, they were generally bonds that we traded; we were selling bonds from time to time and you must realize, too, Senator, as we paid

out money—in other words, we paid out on an average of from \$200,000 to \$250,000 a month on those highway contracts for a while,—and in times prior to this special agreement entered into with the Highway Department, and the counties, as these checks came in,—why we were allowed to withdraw securities; so we sold many bonds to take care of their checks that had been written against their accounts.

Q. When did you quit paying those checks?

A. Some time in January.

Q. 1932?

A. January, 1932, yes, sir.

Q. Have any of them been returned there to be cashed by the Highway Department since then?

A. Representatives of the Highway Department have come down from time to time and inquired as to our ability to take care of them.

Q. Was the State Banking Commission notified or this situation made known to them, when the time came that the Security Trust Company could not honor these drafts?

A. They were, yes, sir.

Q. They were?

A. Yes, sir.

Q. What did they say? O. K.? Everything was all right, go right ahead.

A. No, sir; we had Mr. Wooten, who was then the departmental examiner, he tried as much as he could to help the situation; they were very cooperative and wanted us to try to stay open if we possibly could, when that situation occurred.

Q. At whose instance was the bank selected as the depository for these various counties?

A. Well, in some cases, our own; and in other cases, other bond men.

Q. The State Highway Department didn't know anything about it?

A. No, sir, they had nothing to do with that part of it.

Q. Then in the various contracts that they sent out to the counties to sign, who advised them to insert in those contracts the name of the Security Trust Company as the depository of the county?

A. Those contracts were sent out by the Highway Department subsequent to the time that we were selected as the depository; in other words, when they came to place the

funds in escrow, why they accepted the depository banks of the various counties; you see, they had nothing to do with the selecting of those depositories.

Q. Well, I know, but when they sent out the contracts, was that part where it says, "county depository", with a line drawn above it, who told them to put on that line the name of the Security Trust Company?

A. I am sure—you see that was a blank form — —

Q. Yes, I know it.

A. And the counties inserted in each instance the bank that happened to be their county depository.

Q. Well, the contracts sent out by the State Highway Department in some instances I know, because I have seen them, had the name of the Security Trust Company written in there on that line in the form.

A. That would be only in case where they had been previously notified by the county officials that we were now the county depository.

Q. I see, the notification would come from the counties?

A. Yes, sir.

Q. Was any member of the Highway Department or their staff connected with your negotiations in securing the R. F. C. loan?

A. Not that I know of.

Q. Not that you know of?

A. No, sir.

Q. You don't know whether the R. F. C. had a distinct understanding that the State Highway Department would not offer these checks or disturb your cash balances by offering these checks down there, if they would make this loan?

A. I didn't understand your first question, if that's what you are driving; will you please re-state your first question, Senator?

Q. I asked you if you knew whether or not any of the officials of the State Highway Department were brought into the negotiations of your bank for the R. F. C. loan?

A. The R. F. C., of course, notified—in other words, in making this loan to us, they wanted to be sure that no demands would be made upon us that would cause the institution to close; in other words, their idea was to relieve the situation, and if those involved down here would not cooperate, they saw no



reason why they should make the loan.

Q. Did they set out any specific reference or provision to the State Highway Department in that agreement?

A. They made the requirement that certain arrangements be made with our depositors, and they had a list of them, of the various ones to whom we owed money.

Q. Just what agreement did the Security Trust Company make with the Highway Department following that?

A. Well, there was nothing written; in other words, the agreement with the counties had been perfected and we exhibited that to the R. F. C. and to their attorney in San Antonio, outlining just what arrangements had been made with reference to the deposits.

Q. Well, now, when the county judges were called down here, did the Security Trust Company summon them down here, or did the State Highway Department summon them?

A. The State Highway Department.

Q. The State Highway Department summoned them?

A. To acquaint them with the situation as it existed at that time.

Q. That was in January, 1932?

A. It was in January, 1932.

Q. That was the time when they produced the ruling from the Attorney General with reference to that procedure, that was right about at that same time, was it not?

A. Yes, sir.

Q. And you said that General Keeling is not the attorney for the Trust Company?

A. No, sir; he doesn't represent the Trust Company.

Q. Did he have any part in working out the agreement between the counties or suggesting any of these procedures? In your board meetings, did he refer to the questions that were asked the Attorney General regarding the validity of this procedure?

A. I don't know that he did.

Q. You don't know that he did; you don't know whether he conferred with reference to the Attorney General's Department with reference to that second question that was asked them?

A. No, sir.

Q. That's all.

Questions by Senator Redditt.

Q. You testified that the Security Bank and Trust Company became the depository for these various counties, either through your purchase of these bonds or by arrangement with other bond buyers, is that correct?

A. Yes, sir.

Q. When you were selected as depository for these various counties you entered into the depository contract, did you not?

A. Yes, sir.

Q. If, for example, you purchased from Concho County one hundred thousand dollars worth of bonds, and in the same arrangements were selected for depository for that county you in turn deposited with the trustee bank a sufficient amount of bonds to take care of that deposit?

A. Yes, sir.

Q. You did not deposit with that trustee bank the bonds you had purchased from Concho County?

A. In some instances yes, in some instances no, and in some instances partly so.

Q. Are you testifying that the Security Trust Company, or the Security Bank and Trust Company, whatever the name was, had by its contract with the commissioners court the blanket authority to substitute bonds without the consent or knowledge of this county?

A. Yes, sir.

Q. Is that correct?

A. Yes, sir.

Q. In other words, if you purchased from Concho County one hundred thousand dollars worth of bonds which were at that time worth one hundred thousand dollars on the market, and for which you have given your deposit slip, that you could substitute any bonds you wanted to, so long as they were legally issued?

A. Yes, sir.

Q. Then under the arrangement you had with Concho County, you could have taken their one hundred thousand dollars worth of bonds, given them a deposit slip of your bank, you would still of had the money?

A. Yes, sir.

Q. You could have placed as security for those bonds one hundred thousand dollars worth of bonds of some other county in Texas that had a market value of ten cents on the dollar?

A. Well, I want to say this, there

were no bonds at that time worth ten cents on the dollar.

Q. That is true, but under your contract with the county you could have done that?

A. We could have put up any bonds that were eligible under the State depository law.

Q. You recognize that bonds might be legally issued by various counties, or political subdivisions of Texas, they might be legally issued bonds, where there might be a wide variance in the value of the bond?

A. There didn't exist any wide variance until this year.

Q. That is possible?

A. That is possible now, but it was not then.

Q. Before you made these depository agreements with these various counties you were dealing with other banks, selling them bonds and trading in the bond market generally, were you not?

A. Yes, sir.

Q. If you wanted to borrow from some bank in Austin, Dallas, or San Antonio a hundred thousand dollars and you offered to this bank a certain line of securities, and they would say "We won't take those securities" or bonds, then if you wanted to under your agreement with these various commissioners courts you could have gone to the trustee bank, which was the American National Bank, and could have taken the bonds of those counties and turned those bonds over to that county and made substitutions?

A. Yes, sir.

Q. That is what you did at times?

A. Yes, sir.

Q. As to the Reconstruction Finance Corporation loan, you did not secure the cash on that loan?

A. No, sir.

Q. In other words, the money you received from the Reconstruction Finance Corporation did not go into the assets of your bank?

A. No, sir.

Q. But went to the banks from whom you had borrowed money?

A. Yes, that is right.

Q. Did you continue to make substitutions with the trustee bank on the county bonds after January, 1932?

A. You mean after, —

Q. (Interrupting) After this trouble came up in January, 1932, when you quit paying checks?

A. That is the time we quit paying checks, and the time the Highway agreement was entered into?

Q. Yes.

A. There were very few substitutions made, and always with the agreement with the Highway Department.

Q. You are not making those substitutions now?

A. No, sir.

Q. When was the last substitution you made, do you know about what time it was?

A. I don't know. We had several substitutions pending. There are various reasons for substitutions.

Q. You might sell a bank, —

A. (Interrupting) For instance, we have some warrants in a case pending before the Highway Department now, where a city issued some bonds to take up some outstanding warrants and we have an application to substitute the bonds for the warrants.

Q. Before January, 1932, there was not anything in your contract with the counties to prohibit you from taking bonds which belonged to those counties worth a hundred cents on the dollar and substituting bonds worth ten cents on the dollar?

A. There was no bonds selling for that at that time. There is a suggestion there that is not entirely fair.

Q. It has developed now there is no market?

A. That is true. That was a condition existing at that time.

Q. It would have been possible to put those bonds up with some other banks?

A. Those bank loans ante-dated the loan from the Reconstruction Finance Corporation by many months.

Q. But you did not get the money from the Reconstruction Finance Corporation?

A. No, sir, the banks got every bit of it.

Q. Now, all the testimony you have given with reference to county depository agreements and escrow agreements at the bank, the Highway Department had nothing to do with that?

A. No, sir.

Q. Nor did the Highway Department become involved, nor the twenty-two counties involved, until those counties sent the Highway Depart-

ment checks on your bank which you were unable to pay?

A. That is right.

Senator Redditt: That is all I care to ask him.

Q. (By Senator Woodward) It is my understanding from your testimony in your depository contracts with the counties your bank, as the depository, reserved the right to substitute other bonds in lieu of bonds which you had delivered to the trustee bank securing these counties.

A. Yes, sir.

Q. Under that depository agreement and under the right you had of substitution your contract required you to deliver other bonds if you did substitute in equal amounts to the ones you had withdrawn?

A. That is right.

Q. And under that original depository contract, to which I believe you have stated the Highway Department was not connected in any way,—

A. (Interrupting) That is right.

Q. Your bank reserved that right?

A. Yes, sir.

Q. Now then, when condition arose by which the counties and Highway Department and your bank and escrow bank entered into an agreement the Highway Department inserted into that contract, or that contract provided, you could not substitute without the written consent of the Highway Department?

A. The Highway Department, I believe, Senator,—that contract called for the assignment of that deposit and the underlying securities, and naturally the trustee having executed that agreement could not allow any substitution without the consent of the Highway Department.

Q. I am reading from what I understand is the copy of the escrow contract entered into between your bank, the Highway Department and the escrow bank and it provides this: "And it is further agreed by and on behalf of said counties that the said collateral to secure said deposit of funds shall not be withdrawn, substituted, waived or released in whole or in part without the written consent of the Highway Department."

A. Yes, sir.

Q. Now in that respect the

Highway Department had protected itself, if any protection was needed, which had not been reserved to the counties originally?

A. That is right?

Q. I believe you said there had been some substitution of securities since the escrow agreement was made between the Highway Department and your bank, the American National Bank and your counties?

A. Yes, sir.

Q. In each of those instances did you or not also receive permission from the counties to make these substitutions?

A. Yes, sir. In other words, I think the procedure, as I remember it, Senator, is that the counties requested the American National Bank as trustee to make the substitution subject to the approval of the Highway Department.

Q. Now then, in each of those instances were the substituted securities, in your opinion, worth as much or of equal value as the securities which had been withdrawn?

A. Yes, sir.

Q. Now getting back to this Reconstruction Finance Corporation matter; I understand from your testimony that your bank obtained a loan from the Reconstruction Finance Corporation?

A. Yes, sir.

Q. I will ask you if you are fairly familiar with the Federal statutes which created the Reconstruction Finance Corporation?

A. Well, I know of it only in just a general way.

Q. I was leading up to this question. Do you know that the Reconstruction Finance Corporation is restricted by that Act to certain character of loans?

A. I didn't know they were restricted. I knew their policy.

Q. Did you know under that Act they frequently referred to who is eligible to a loan?

A. The banks, of course, were.

Q. Were eligible for loans?

A. Yes.

Q. I wish you would explain again why it was that in securing the loan and in the distribution of the funds obtained as the result of the loan Travis County was paid the amount of moneys which she had on deposit with your bank?

A. Travis County, we were the

regularly selected depository of Travis County and had at that time with Travis County five hundred thousand dollars worth of bonds. The tax collections had not all come in at that time. Had they been in at the time we became involved in trouble, Travis County would probably not have had any margin in their bonds, but at the time we became involved they had a margin in the bonds, which we needed to help us market the bonds with the Reconstruction Finance Corporation, and for that reason Travis County was paid off, in order to get the equity in those bonds.

Q. Now then did Travis County at that time occupy a different situation to these various twenty-two counties about which you have been interrogated?

A. Yes. We were special depository for those funds and were the depository for all the Travis County funds.

Q. In other words, what I am trying to get you to explain is the reason why Travis County obtained her deposit?

A. Because of the fact that there was an excess existing in the account at that time.

Q. Was there any discrimination in the arrangement of your loan in favor of Travis County as against Concho County, Bell County, Andrews County, or any of the other counties?

A. No. The whole thing was this. Travis County had on deposit with us amounts which they were continually withdrawing, and in view of the fact that the tax collections started coming in in December we had not withdrawn from Travis County,—had not turned down any Travis County securities and for that reason had a large margin in that account, and in order to get the benefit of that margin we induced the Reconstruction Finance Corporation to take up that county's loan.

Q. As a matter of fact the money that was obtained through the Reconstruction Finance Corporation never reached your hands at all?

A. No, sir, it was disbursed by the Federal Reserve Bank.

Q. It was disbursed by the Fed-

eral Reserve Bank, and other banks and Travis County, to whom the money was owing, got the money?

A. Yes, sir.

Q. What did the Highway Commission have to do with that?

A. The Highway Commission had nothing to do with that feature of it. The Highway Commission had previously entered into contracts with these counties, which we were unable to exhibit to the Reconstruction Finance Corporation, showing that that portion of our deposit had been protected.

Q. Had been protected?

A. Yes.

Q. The bonds which you have placed in escrow with the American National Bank to secure these several counties have been assigned to the Highway Department as security for whatever the counties may owe the Highway Department?

A. Yes, sir.

Q. Also the deposit in favor of the several counties in your institution has been assigned or transferred to the Highway Department?

A. That is right.

Q. And in addition to the securities which the American National Bank holds as the escrow agent to secure the State Highway Department, the State Highway Department may also come along with any other claimants or creditors you might say of your institution and look to the general assets of your institution?

A. Yes, sir.

Q. Now, Mr. Cravens, do you feel that the State Highway Department, just looking at it as a cold-blooded business proposition is amply secured by the securities which the American National Bank holds and the assets of your corporation?

A. Senator, if the bonds of course were forced on the market at the present time they probably would not be.

Q. Now, would anybody else be secured if the bonds they hold were forced on the market at the present time?

A. I don't think so.

Q. The decline in the value of bonds—the market value of bonds has been general, hasn't it?

A. Yes, sir.

Q. Did the Highway Department have anything to do with the bond market going down?

A. No, sir.

Q. Did the Highway Department have anything to do with the original contracts made between your company and the counties in the selection of depositories?

A. No, they had nothing to do with it.

Q. Or becoming depositories at all?

A. No, sir.

Q. Now, the securities which are with the American National Bank to secure the Highway Department in the payment of the indebtedness of the several counties to the Highway Department, I believe, you said if they were forced on the market today would not be sufficient?

A. That's right.

Q. Now, taking that in connection with the assets of your institution and under the management and arrangement now carried on, with that in addition, do you think they would be amply secured?

A. If the assets we had were conserved they would be. Of course, if all the assets we had were thrown on the market at the present time, why, I don't know.

Q. The same effect would be there if you put the bonds on the market?

A. Yes, sir.

Q. But under the policy you are pursuing and under the arrangement you have made and are carrying out, if you are, do you believe that the securities are ample?

A. If the bond market ever comes back, I feel they will be amply secured there. Of course, this bond depression like everything else, it has lasted a great deal longer than we anticipated.

Q. Now, then, when this condition arose and the county judges came down here, and as a result of their conferences, whatever they were, the Highway Department took over those securities and the deposits, and of course, would be entitled to look to the general assets of your institution?

A. Yes, sir.

Q. And the Highway Department got more security then than they ever had, didn't they?

A. The Highway Department having an assignment of these deposits and the underlying securities, I don't know if they have got anything more than they had in this respect. The funds were placed in escrow secured by certain bonds, and the Highway Department in order that the bonds

might not be taken out by the county or hypothecated by anybody they took an assignment by contract—a contract probably tighter and more binding than they had and probably protecting themselves that way, but did not protect themselves to my mind any more than they had the underlying securities protecting these escrow accounts to start with.

Q. If the State Highway Department had not tied those securities to where they could not be sold or hypothecated or swapped then they were protecting themselves to that extent?

A. Yes, protecting themselves to that extent.

Q. In other words, Mr. Cravens, isn't it a fact that the Highway Department by the arrangement they made at that time bettered their condition from a business standpoint and financial standpoint than they were in prior to that time?

A. Yes, by virtue of that feature, yes.

Senator Martin: I think that would only be a conclusion of the witness.

The Chair: I didn't get the question.

A. To that extent they certainly bettered their position.

Senator Martin: I still want to object to it as a conclusion and insist on our objection.

Senator Woodward: The question was this, Mr. Chairman, that the Highway Department by reason of having entered into the escrow agreement with the Security Trust Company and the several counties and the American National Bank, which was the escrow agent, and by tying these securities to where they could not be substituted, disposed of or transferred without the consent of the Highway Department thereby secured a better advantage than they had prior to that time.

The Chair: Don't you think it probably is a conclusion?

Senator Woodward: I think it is probably a conclusion as to what these facts are. His whole testimony is principally an opinion and conclusion offered by a man to the transaction and I think I should have the right to show by this witness that the Highway Department bettered their position.

The Chair: I believe it's a conclusion; we have been admitting all other conclusions.

Senator Martin: If I had asked him any questions that called for a conclusion counsel or the Senator certainly had a right to object to it.

The Chair: Sustain the objection.

Questions by Senator Woodul.

Q. You hadn't written the Reconstruction Finance Corporation for any loan to your bank when this contract was entered into between the counties and the Highway Department?

A. It is not my recollection that we had. My recollection is they were not yet functioning at that time.

Senator Martin: I would like for the Senator to so frame his question as to make it apply to his institution and not to this particular witness, for he is speaking for and in behalf of his institution.

Q. Your institution hadn't applied, or been in communication with the Reconstruction Finance Corporation in January, because the Reconstruction Finance Corporation hadn't been set up in January and officers weren't appointed until some time in February, had they?

Senator Martin: If the Senator desires to testify in this case then I would rather he take the witness stand; might want to cross-examine him.

Senator Woodul: I was trying to save time. I can take the stand and testify. I was in Washington and they weren't set up.

The Chair: Do you know when the Reconstruction Finance Corporation was set up?

A. No. I don't; but we made application as soon as we could. Of course, the date of our application does not mean necessarily that was the exact date that we first contacted them, but the date of our application was February 26th.

Senator Woodul: Well, it's a matter of record, I think a court would take judicial knowledge that there wasn't any such corporation existing at that time. I am just trying to get at it.

Questions by Senator Woodul.

Q. You do know definitely that you hadn't talked with anybody connected with the Reconstruction Finance Corporation at the time you made this contract with the Highway Department and these counties?

A. At the time they had the meeting here, we had not.

Senator Martin: I don't think the witness had finished his answer.

A. At the time they had the meeting here, we had not.

Q. After you did make the application, you say you made that on the 26th of February?

A. Yes, sir.

Q. And it took you some weeks after that before you finally came to terms, didn't it?

A. Yes, sir.

Q. Several weeks after that?

A. And then we spent probably two weeks in Washington.

Q. Did the Reconstruction Finance Corporation, or any of its officers, ask you to take down any of the bonds that you had up under those escrow agreements and let you have the benefit of those bonds in lieu of some others you had?

A. No, sir.

Q. Do you know if that was done in any instance?

A. No, sir.

Q. Were any of the bonds put up in this escrow agreement in anywise used by you gentlemen in getting the loan?

A. No, sir, they couldn't have been.

Q. Then if rumors were existent in Hill County on last week that bonds that were put up in escrow were used by your bank to borrow from the Reconstruction Finance Corporation, they are false, are they not?

A. In error; just a mistaken idea.

Q. Well, they are false?

A. I say it is a mistaken idea.

Q. And it's just another rumor?

A. Yes, sir.

Senator Woodul: That's all.

Questions by Senator Poage.

Q. Mr. Cravens, I want to possibly go over a little ground that has been covered, but I don't get all of this the first time sometimes when it is gone over. Now, as I understand it, your bank started this policy several years ago?

A. Yes, sir.

Q. Some time ago of buying these county bonds?

A. Yes, sir.

Q. And giving them a deposit slip?

A. Senator, we have acted as county depository since 1921 as far as that is concerned.

Q. Yes, but on the State aid, it didn't come into existence until some time after that, the policy of buying county bonds and holding the money here until the State Highway Department took it over, you started that several years ago?

A. Yes, sir, but of course, there were many, many items of bonds bought from various counties for whom we acted as county depository in years gone by.

Q. I am not interested in those. You started this with the State Highway Department before the depression?

A. Yes, sir.

Q. Your policy was to buy the bonds, and you were able to make, in some instances,—in some cases at least to make a better price with the county, give them a little more, if they agreed at the time they sold you the bonds to make you the county depository?

A. Yes, sir, enabled to make them a better price.

Q. Gave them a better deal if they would make your bank the county depository?

A. Yes, sir.

Q. Now, did you have any help from the Highway Department in getting those counties to deal with you?

A. No, none whatever. The Highway Department would have no knowledge of the matter, because we were dealing direct with the counties, and of course, the actual procedure was for the counties to place their bonds with us; then they would go before the Highway Department and say they had their funds available.

Q. Now, as a matter of fact, my county never did sell you any bonds,—McLennan County?

A. No, sir.

Q. I know that in that instance long negotiations were had with the Highway Department before we voted any bonds,—a long series of negotiations with the Highway Department before bonds were voted?

A. I have no knowledge of that. In other words, I never contacted a county, or had any connection with a county until they had some bonds to sell.

Q. But from your knowledge of the way these matters were handled,—the highway bonds, you know that it was the usual custom of

chambers of commerce and other so-called civic organizations to come down and contact the Highway Department before any bonds were even voted?

A. No, I think in the very nature of things a county judge would have to know how many bonds would have to be voted and so forth and presume they conferred with the Highway Department.

Q. And there was usually a discussion as to how that money could be handled after the bonds were voted?

A. I wouldn't say that, Senator.

Q. You don't think that is correct?

A. I don't think it was discussed. They would either have their regular authorized depository, or—

Q. (Interrupting) Wouldn't the Highway Department state to the chamber of commerce and county judge and commissioners court, and so on, "You can sell your bonds to any banking institution," I don't mean necessarily to your institution, "but sell them anywhere and deposit the money with some bank who will give you adequate security and then you can pay us by checks on that bank as the work progresses"? That was usually discussed, wasn't it?

A. I don't know why. I just don't think that ever entered into it.

Q. Have you ever been intimately acquainted with commissioners courts over the country?

A. No, sir.

Q. Do you know the average county commissioner?

A. I have had lots of dealings with them.

Q. Do you think the average county commissioner has any more knowledge of banking than I do, and I don't have any?

A. I don't think so. In the nature of things they would have in mind that they had a regular selected depository, and the discussion of where they would put their money,—the natural conclusion would be that the money would be put in their regular depository.

Q. Most of these deposits that were in your bank, of these 22 counties, they are not in the regular county depository, are they?

A. That is right.

Q. In most instances they didn't put the money in the regular depository, did they?

A. In many instances the regular depository was unable to handle it.

Q. Then it wouldn't work out that they would put it in the regular depository?

A. I said when they would go to vote the bonds they wouldn't select the depository. That is what I was trying to clear up. In issuing the bonds I don't think any chamber of commerce or any county commissioner that you would talk to would say they discussed, when they voted these bonds, where they would put the money.

Q. You think they never discussed that?

A. That matter came up when they sold the bonds.

Q. What is the process by which they sold the bonds? How did they contact your bank? Did you send men out to the counties to buy the bonds, or did they come to you?

A. In most instances we would go out and see them.

Q. You would get the record from the Highway Department?

A. We wouldn't get it from them. We subscribe to a press clipping bureau, and "The Bond Buyer," and so forth, and get our information.

Q. You would send somebody to see them and explain to them how they could handle it through your bank?

A. Yes, sir.

Q. And if it was satisfactory with them you would try to work out a trade with them?

A. Yes, sir.

Q. Then you would hold their money and put up any kind of approved security, that is, any that is on the list?

A. Yes, sir.

Q. Now, did some of those securities include good bonds, and some include bonds that even two or three years ago—weren't there a lot of those bonds in South Texas that would not sell for more than forty or fifty cents on the dollar?

A. I never heard of any three or four years ago that were that low.

Q. Now, how low did some of those water district bonds, how low were they two or three years ago?

A. Two or three years ago those bonds,—I will give you a concrete illustration, one issue, in Cameron, we sold them to a Toledo concern at 93.

Q. That was the highest you ever sold those?

A. That was the only one of those we sold.

Q. How high was the City of Edinburg bonds selling two or three years ago?

A. I never had any.

Q. You had some of the City of Donna?

A. Yes, sir.

Q. What were they worth three years ago?

A. Quite a number of them sold at 90 and 95, according to the rate they bore. As far as that is concerned I sold some Edinburg at 95 to 98.

Q. That is as high as you ever saw Edinburg bonds. How low did you see them three years ago?

A. I didn't see any three years ago. I don't remember of any selling much cheaper than that.

Q. They were even then below par, were they not?

A. According to the interest rate. Of course, I saw some McAllen bonds sell at 104.

Q. Were there any City of Edinburg bonds selling for par three years ago?

A. The highest I saw was 98.

Q. Was any City of Donna bonds three years ago bringing par?

A. I hardly think so.

Q. But there were a number of these counties whose bonds you bought that were worth par, weren't there?

A. Well, some of them were selling at par, yes, sir.

Q. You didn't buy any McLennan County Bonds?

A. No, sir.

Q. Our road bonds sold for par and accrued interest, didn't they?

A. Yes, sir.

Q. If you had taken McLennan County bonds, as an example, bought a hundred thousand dollars of their bonds, and deposited even the best of your bonds that you say were worth 95, there would have been a five thousand dollar loss even then, wouldn't there?

A. There wouldn't have been a loss.

Q. At least, the security would have been worth five thousand dollars less than the value of the bonds traded for them?

A. Yes, sir.

Q. Now, what has happened to those bonds since that time? Which



bonds have depreciated most, City of Donna or McLennan County?

A. The City of Donna. The smaller towns have depreciated most.

Q. How much are those City of Donna bonds worth now?

A. I don't know. I haven't seen the quotation on them.

Q. Now, what I am trying to get is this: Now, if you will assume that you had some McLennan County bonds to secure the Bell County deposits, and you say you had the authority, as I understand it, without saying anything to Bell County, to sell those McLennan County bonds and substitute in their place the City of Donna Bonds?

A. Yes, sir.

Q. You could have substituted bonds that had no more value than a Sears & Roebuck catalogue?

A. I don't think so. They had to be bonds that were eligible under the depository law.

Q. You did substitute some bonds that are now practically as valueless as a Sears & Roebuck catalogue? They are now worth just about as much as the harness section in a Sears & Roebuck catalogue?

A. I wouldn't say that. What bonds do you refer to?

Q. Haven't you got some water control district bonds that are worth about four cents on the dollar?

A. No, sir, I don't think so, even according to the value placed on them here by an expert that appeared here some time ago. I don't think that he quoted them that low.

Q. How low are they?

A. There is no market for them. I understand you were informed they were worth about 30 cents on the dollar?

Q. Yes, sir, and some even lower than that, but I am asking you. You are in the bond business; I am not.

A. I will say I don't know. I don't think there is any market for them. But it is a matter of opinion. We have a voucher or note of the Fort Stockton Independent School District up on the Pecos County account, and that is the county seat district of Pecos County. An expert testified they were worth 40 cents. We think they are worth 100 cents. It is all a matter of opinion. I don't know that we could in the open market sell that note. We expect to collect it at par.

Q. If everything gets better, we hope nobody will lose anything by any of these transactions.

A. I understand.

Q. If things come back, I don't think they will.

A. That is all we are living for.

Q. You are living in hopes?

A. Yes, sir.

Q. You say until the Highway Department stepped in on January 26th, 1932, you had an absolute right to substitute bonds anywhere without any restriction whatever?

A. Yes, sir.

Q. And you did substitute on numerous occasions?

A. Yes, sir.

Q. And you kept no record of your substitutions?

A. No, sir.

Q. That is your testimony?

A. Yes, sir.

Q. Now, you did make substitution during that period of time of inferior bonds for bonds of a greater value, didn't you?

A. Well, there was no attempt to do anything of that character. We substituted bonds as we had them available.

Q. If you could sell McLennan County bonds and had them up to secure Bell County deposits, you would take them down and put up something you couldn't sell, wouldn't you?

A. In the very nature of things. When things tightened in the fall the bonds that were more salable, of course, in order to raise cash, in order to pay these checks that were being presented from time to time, naturally the more salable bonds were put up.

Q. You mean the more salable bonds were the ones you sold?

A. Yes, sir.

Q. And the less valuable or less salable bonds were the ones left to secure the counties, that is right?

A. Yes, sir. If we had a bunch of bonds up securing a county's deposit, and as they drew the money the bonds in their account being drawn down, in the very nature of things the bonds that were easy to sell would go out first.

Q. Naturally, the result was you left the counties with the trashy bonds and sold the best bonds?

A. I wouldn't call it trashy.

Q. By January, 1932, the counties had the inferior bonds that you had on hand, didn't they?

A. Of course, some of the counties had not drawn much money. A lot of the counties probably had.

Where counties were drawing their money we of course sold off the bonds that were salable.

Q. When they were not drawing from their money you substituted inferior bonds for the more salable bonds even then, didn't you?

A. I don't think that was our policy to substitute inferior bonds, but we substituted for bonds we could sell.

Q. You mean that you couldn't sell?

A. In other words, we substituted bonds and drew down bonds, of course, that we could sell.

Q. And left up to secure the county deposits the unsalable bonds?

A. Yes, sir.

Q. Now then, as to the total percentage of these water control and Hidalgo County, and municipalities in Hidalgo County, the total percentage of those bonds in January, 1932, as compared to what it was a year before,—what was your situation then?

A. I don't think during the year 1931 that we acquired any Hidalgo County securities at all.

Q. You didn't acquire any, but what about these escrow deposits. Did they require any from you?

A. In other words, the Hidalgo County bonds, as I understand, were not all water district bonds. We acquired the Number 6 District bonds in 1928, I think.

Q. Did you put all those up as security for these county bonds? Say in 1930, were all those Hidalgo County bonds put up in escrow to secure these county deposits?

A. We used them to secure various funds all along the line.

Q. Isn't it a fact that the percentage of those Hidalgo County bonds, that is, including the water district and those kind of bonds from Hidalgo County, securing the county deposits, increased during the year 1931?

A. Nearly all of our bonds were used to secure deposits. That is what we had them for. They were being used all along the line.

Q. And during 1931 you were selling other counties' bonds, but you sold very few of these Hidalgo County bonds?

A. We sold quite a block of them?

Q. You are more fortunate than some of the rest.

A. In other words, we wouldn't buy any bonds knowingly that we didn't think we could sell.

Q. No?

A. Our judgment might have been bad at times. We might have missed our guess, but every bond we bought, we bought it to sell.

Q. But you did make same mistake that lots of us did?

A. We bought some bonds that are certainly not salable now.

Q. And most of those are now up to secure these escrow deposits?

A. The bonds,—in fact, the bond market, the bottom dropped out of the bond market in the fall of 1931, and there has been no bond market since then.

Q. And most of those unsalable bonds are up to secure these county deposits?

A. Well, the bonds that we have on hand at this time are practically unsalable.

Q. Now, I want to ask you about this Travis County matter. I believe you said you had around three hundred and fifty thousand dollars on deposit for Travis County in January, 1932, and that you paid them off in full in order that you could take down the bonds that secured that deposit?

A. Yes, sir.

Q. Because you had a larger market than was necessary?

A. Yes, sir.

Q. Now, you paid that whole deposit off in order to take those bonds down. Didn't you have the right to reduce the margin that you had up as that deposit dropped off?

A. Yes, sir, we had the right to reduce that margin, but, you see, in December the county taxes started pouring in and in January they would have been over and above the amount of security we had up.

Q. Do you know how much security you had up for Travis County?

A. Five hundred thousand dollars.

Q. And about three hundred and fifty thousand dollars you owed them?

A. At that time. Of course, had our trouble come in February we would have probably not had sufficient security there unless they would have required we put up additional security. In other words,

this happened to come at a time when they were in process of depositing anywhere from thirty to forty thousand dollars a day and it wouldn't have taken long to have eaten that up.

Q. But if the same rule had been applied to Travis County that was applied to the other counties, you could have reduced the amount of bond you had up to secure the Travis County deposit down to approximately three hundred and fifty thousand dollars?

A. That is right.

Q. That would have enabled you to convert one hundred and fifty thousand dollars of those bonds into cash, or whatever amount of cash they would bring, and you would have still had three hundred and fifty thousand dollars up to secure the Travis County deposit?

A. Yes, sir.

Q. Then you could have told Travis County, as you told the 22 other counties, "We have got your money here and have a bond up to secure the amount, just the amount you have on deposit. If you present a check we will not pay it," and Travis County would be in exactly the same position as the 22 other counties would have been?

A. Yes, sir.

Q. If you had reduced these securities of \$550,000, you would have gotten your money, which would have given the bank—you say that you needed \$150,000, and you didn't get \$150,000 out of that transaction for the use of the bank, did you?

A. That's my recollection.

Q. Well, roughly, of course; you owed Travis County, \$300,000 and they had put up \$500,000 of bonds?

A. That's my recollection, that there was about \$150,000 — —

Q. Then clearly it didn't release half a million dollars, but only \$150,000?

A. Yes, sir.

Q. And you could have gotten that \$150,000 released, simply by applying the same rules to Travis County that you applied to the other twenty-two counties, couldn't you?

A. Yes, sir.

Q. Then Travis County would have been in the same shape as the other twenty-two counties, would it not?

A. Yes, sir, but it happens that Travis County was the only county that was making deposits with us daily.

Q. But you enabled Travis County to get all of their money by fixing it so that the other counties couldn't get all of their money, didn't you?

A. The whole thing was on these special depository contracts; we put up dollar for dollar in securities. As for Travis County, they had a fluctuating balance, and they could deposit with us all the time, and we had \$500,000 worth of securities up all the way through on Travis County.

Q. But any day you could have reduced that amount as much as their deposits were under it, you could have reduced that \$500,000, couldn't you?

A. We could have reduced the \$500,000, under our contract with Travis County, we put up with them \$500,000 of securities, and sometimes their deposit would exceed that amount, but we never put up more than the \$500,000 all the way through.

Q. But they could have called on you to have put up more securities, couldn't they, under their contract?

A. They could have called on us to, yes sir, but it wasn't our policy; in other words, we put up \$500,000 and no more.

Q. But they had the right under the contract to call for more securities whenever they had more than \$500,000 on deposit with you, didn't they?

A. Yes, sir, in other words, our \$500,000, we put that up at the time we made the depository contract with them, and it stayed there all through the depository period.

Q. In other words, your practice was to allow Travis County a more favorable situation than the other twenty-two counties?

A. Our practice was, Senator—I want you to get the distinction; under the special depository agreement, a county could deposit certain funds with us and that would be the end of it. Travis County was one of our daily depositors, and its account fluctuated; it went up and it went down; and at the time we became involved, Travis County would have in two weeks more than

had enough money on deposit to equal our securities.

Q. And did your bank suggest to Travis County that they withdraw their money at that time?

A. No, sir.

Q. Why did they withdraw it at that time?

A. Travis County got their money because we needed it, as I explained before, to margin those securities down.

Q. I know, but why did they take their money out? Did you ask them to take it out?

A. No, sir, Travis County, knowing the situation as they did, they did not continue their deposits, don't you see, and in order to get this margin that we had to have, why we wanted to pay them off.

Q. You mean to say that they began making their daily deposits with some other bank?

A. Yes, sir.

Q. But they still had \$350,000 in your bank?

A. Yes sir, they had that margin in securities, which we wished to draw down.

Q. Before you drew that down, Travis County had begun making deposits in another bank?

A. Yes, sir.

Q. Which bank?

A. In two other banks; the American National and the Austin National.

Q. And that had happened before you drew your securities down?

A. Yes, sir.

Q. And Travis County is the one that suggested that, and not the Security Trust Company, is that right?

A. Yes, sir. Travis County did that; being here on the ground, they had full knowledge of the situation, Senator, and tried to protect their interests as best they could.

Q. How did they get that knowledge of the situation? Did some of the officials of the bank call in some of the county officials and explain the situation to them?

A. I don't remember; it was current knowledge here, but I don't know how it was first gotten to them, the knowledge.

Senator Woodruff: I dislike very much to make a point of order on this line of questioning, but it occurs to me that this is far off of the purpose of this inquiry.

The Chair: I certainly think so; I can't see how the Highway Department is connected with that.

Senator Poage: I am trying to find out whether there was discrimination between Travis County and the other counties, and then if there was such a discrimination—and I can't get the witness to answer whether there was or not—to determine why the discrimination.

The Chair: Well, Senator, the witness has stated that this being in Travis County, right here next door to the county officials that they would naturally learn about it.

Senator Poage: But I have asked the witness six or eight times—

Senator Purl: And I submit that he has answered each of your questions each time you have asked them and that he has not evaded or refused to answer any question that you have asked him.

Senator Stone: Mr. Chairman, I want to ask this witness some questions before he is excused.

Senator Woodruff: Even if he stated that there was discrimination in favor of Travis County that has no binding effect and force on the Highway Department or the Highway Commission, which is the subject under inquiry.

The Chair: Not unless some member of the Commission helped Travis County get their money out.

Senator Poage: That's exactly what I want to find out, Mr. Chairman.

The Chair: Well, let's get to the point, Senator.

Questions by Senator Poage.

Q. Again, I want to ask the witness whether Travis County or any representative of Travis County made the first move towards removing Travis County's deposit, or whether the bank made the first suggestion of that?

A. Well, the Travis County deposits were not withdrawn until the time of the R. F. C. loan, and we needed that margin, as I have explained before, Senator.

Senator Stone: Now, Mr. Chairman, there is a direct question that Senator Poage has asked the witness, and like all the other questions he has asked him, he hasn't answered it.

A. Well, I just wouldn't say that's all; in other words, I just

don't know who made the first move; in other words, in Travis County, everybody knew the situation that existed then, and I don't know exactly—trying to think back—I don't know whether the county judge talked to us about it or whether the auditor talked to us, or whether some other bank talked to them about it, but anyhow they became acquainted with the situation and protected their interests.

Senator Poage: Now, may I ask the Senator from Dallas, since the witness has answered my question twice more, just what the answer of the witness is, and whether Travis County or the bank made the first move?

Senator Purl: Ask the reporter right there (indicating) what the witness' answer was.

The Chair: I don't think that that question can be answered definitely.

Questions by Senator Poage.

Q. Let me get to this; you said it was after the R. F. C. made the loan before Travis County would withdraw, which was in February or March—February 26th was when you made the application and it was not granted until April, I believe you said?

A. Some time in there.

Q. So the Travis County deposit was not withdrawn until April?

A. It was not paid off by the Reconstruction Corporation until such time as they came into possession of the bonds.

Q. And Travis County had not been making deposits in your banks since the 1st of January?

A. Yes, sir, that's correct.

Q. Before this meeting of the county judges, which was held by the State Highway Department on the 25th or 26th of January, Travis County had ceased to make deposits in your bank, that's right, is it?

A. Yes, sir.

Q. And they were not making deposits at the time the State Highway Department called this meeting?

A. It was about that time that they discontinued making their deposits.

Q. Now, you could have reduced your securities—

A. Well, I couldn't have reduced them.

Q. You couldn't have reduced them?

A. No, I told you that we put up \$500,000 of bonds with Travis County and they stayed stationary the entire time, and we could not have reduced the securities without their consent; as I told you, we were the regular depository of Travis County and we put up \$500,000, even amount of securities, which stayed there all the way through on that account, which fluctuated from time to time.

Q. I thought you said just now that they had the right to, if their deposits went up, to require additional security, and that if their deposits went down, that you had the right to withdraw some securities?

A. But the only way they could require it was for the Commissioners Court to meet and demand it, and the only way that we could withdraw any of our securities, any of this \$500,000 would be for us to go before the Commissioners Court and gotten their permission to do so.

Q. And you didn't try to do that?

A. No, sir.

Q. Had you done so, then on the 25th or 26th of January, when the Highway Department called this meeting, Travis County would have been in exactly the same situation as the other twenty-two counties?

A. You mean had the Commissioners Court, knowing our situation, released the \$150,000, they would have been then in the same situation with the other counties.

Q. That wasn't Highway Department money that Travis County had up, was it?

A. No, sir; I said we were the regular constituted depository of Travis County.

Q. That was their General Fund and their other funds?

A. Yes, sir, General Fund, Sinking Fund, and all other funds; we were the regular depository of Travis County.

Q. That's all.

Questions by Senator Purl.

Q. Was your bank the county depository for several counties during the previous Ferguson administration in 1925 and 1926?

A. I am sure that it was.

Q. I don't mean for these particular counties, but for any counties?

A. We were acting as depository all along, yes, sir.

Q. Was there any difference in the procedure during the Sterling administration and the previous Ferguson administration?

A. No, sir, we followed out our usual procedure.

Q. That's all.

Questions by Senator Stone.

Q. Mr. Cravens, after you made a purchase of bonds, and were appointed special depository for the counties and all that, you fixed up a depository bond, did you not?

A. Yes, sir.

Q. And then thereafter the counties would make an agreement with the Highway Commission by which they were to have so much of that fund put up in escrow?

A. That's right.

Q. Did your bank ever act both as depository and as the escrow party?

A. Well, we have; the only way we could act as escrow agent would be to first be the depository.

Q. I understood you to testify along here that the American National Bank was the escrow agent.

A. They were the trustees, the trustees of the bonds held in escrow, but don't you see the bonds were actually placed—say for Concho County for instance, that county's name has been used for illustration several times—and say they had \$100,000 on deposit and they placed \$50,000 in escrow, then we would charge that account with \$50,000 and open on our book a special \$50,000 escrow account, and the securities securing that account were in the American National Bank.

Q. The securities securing it?

A. Were in the American National Bank, yes, sir.

Q. I am talking about before the American National Bank got into it.

A. They got into it at the time we were selected as the depository of the counties.

Q. They got into it at the time you were selected as the depository of the counties. You deposited on the original depository bond securities to protect that bond with the American National Bank?

A. That's right; and then we would set aside those funds in escrow for the benefit of the Highway Department.

Q. By virtue of that practice you had on January 31, 1932, about a million and a half dollars in the escrow funds of the various counties, did you not?

A. I couldn't say the exact amount. You have got the records there, Senator.

Q. According to the Auditor's report of January 31, 1932, your balance in escrow at the Security Trust Company was \$1,516,441.73?

A. I take it that that's correct.

Q. Now, is this the agreement that was used for the fixing of those various escrow funds?

A. Yes, sir.

Senator Stone: I want to introduce this into the record, but I want to hold it for a little while.

The Chair: I think it has already been introduced in evidence, Senator.

Senator Stone: If it is in, I don't want to introduce it again.

Q. (By Senator Stone) Now, did any member of the Highway Department consult your bank about these various escrow funds?

A. No. You mean prior to our contact with them?

Q. Prior to January, 1932?

A. No.

Q. Did any official of the Highway Department ever come down there and talk to you about the million and a half you had on deposit there and ask you whether you had any securities to protect it or not?

A. I don't know. The order I think recites that we are the depository, of course I think they are municipal securities. I think the Highway Department had made a requirement that no personal bonds would be allowed.

Q. That is part of this agreement, they would not accept a personal bond?

A. Yes, sir.

Q. Did any member of the Highway Department ever inquire as to the condition of your bank?

A. Not that I know of.

Q. Did any member or any official of the State Highway Department, after they realized that your deposit had reached a million and a half dollars in escrow, ever make any inquiry as to how they were secured?

A. Not that I know of.

Q. About when did that deposit

first reach this million and a half dollars?

A. I don't know, I couldn't say how long it had been.

Q. Have you any idea, offhand, about what your average amount of escrow funds has been for the past two or three years?

A. No, sir. But all that information is available, that would appear on the ledger sheets.

Q. Well approximately, has it averaged as much as a million dollar for the past two or three years?

A. I just couldn't say. I couldn't say, Senator, because a lot of this money stayed in the regular accounts of the counties until the Highway Department was ready for it to be put in escrow and I couldn't tell you how much was county funds and how much were escrow funds, offhand. I would say this, we had more than an average of a million dollars of deposits of various counties over that time.

Q. Well, during that entire period of the last several years has anybody from the Highway Department ever made any inquiry as to whether there were any securities backing up these escrow funds?

A. There was a certificate furnished showing them that there was.

Q. Did that certificate list the securities back of it?

A. No, sir, municipal securities are required by law. In other words I take it that the attitude of the Highway Department was that the counties had made their depository arrangements, and that they were secured as they had required; that is, to this extent, that they would not accept personal bond for it.

Q. I want to ask the question again: During the last four years has any official of the Highway Department ever been to your bank to check these securities securing escrow funds, or made any inquiry as to the condition of your bank?

A. Well, now—I will answer part of it. I feel sure that they have not checked our securities, but now the part with reference to whether they made any inquiry in regard to our institution, I could not answer that.

Q. Have any of them ever requested you to send them a statement of your financial condition?

A. No, sir. We, of course, publish in the newspapers a quarterly statement of our financial condition.

Senator Rawlings: How much longer is this proceeding going to last? Don't we have a committee meeting tonight?

Senator Purl: Yes, a committee on insurance.

Senator Stone: I just have about three more questions.

The Chair: All right, let's give him three more questions.

Q. (By Senator Stone) Has there been any decline in the value of these securities that were put up in January, 1932, down to the present date?

A. I would not say there had been. In fact the thing was there wasn't any market then and there isn't any general market now. I think after all it is just a question of the intrinsic value of the securities.

Q. Do you know whether the Highway Department knew of the right you had, under your interpretation of the law, to substitute securities?

A. I do not.

Senator Woodruff: I want to develop just one question.

The Chair: All right, proceed, Senator.

Q. (By Senator Woodruff) Mr. Cravens, I believe you testified you had been handling these escrow funds for the benefit of the Highway Commission over a period of several years?

A. Yes, sir.

Q. Prior to January, 1932, had the Highway Commission ever experienced any default in a check drawn by those counties on your bank?

A. No, sir.

Q. So that the Highway Commission had been dealing over a period of years with the counties through your bank and getting their money promptly up until January, 1932, is that true?

A. Yes, sir. If I might say, I considered that we had a very fine reputation throughout the state for handling funds of that kind, and counties who have done business with us, many county judges who

have done business with us were inclined to recommend us, and if I do say it I think we stood well indeed in that respect.

Senator Woodruff: I believe that is all.

The Chair: I don't want to appear critical here, but if you have established anything by this investigation — —

Senator Pace: I want to bring up my resolution again.

Senator Rawlings: I second the motion.

The Chair: If you have established anything by this witness, I think possibly it is time to interrogate the witnesses before you put them on the stand or else let's stop this hearing.

Senator Pace: I want to bring up my resolution.

Senator Rawlings: I second the motion.

The Chair: The Senator from Smith calls up his resolution. Mr. Secretary, read the resolution.

(The Secretary read the following resolution):

Whereas, The members of the Senate of the State of Texas of the Forty-third Legislature, sitting as a Committee of the Whole, have had under consideration the message of the Governor, heretofore transmitted to us, concerning the activities of the Highway Department and its relationship with the Security Trust Company as is fully detailed in the said message of the Governor, and

Whereas, The said Committee of the Whole has actively pursued an inquiry and investigation with reference to said communication from the Governor since the seventeenth day of February, and

Whereas, It now appears that a further inquiry into said matters referred to in the Governor's message would not serve for any useful purpose to the State of Texas; therefore be it

Resolved, by the Members of the Senate, sitting as a Committee of the Whole, That we, as such Committee, arise and report progress, and be it further

Resolved, That said Committee of the Whole be instructed to report back to the Senate of the State of Texas of the Forty-third Legislature, that from the evidence offered and as

a result of the investigation made to date, said Committee is unable and unwilling to criticize the members of the Highway Commission of the State of Texas for their activities in connection with the subject matter of the communication from the Governor. In this connection, the Committee of the Whole is mindful of the fact that the Governor of the State of Texas, in her communication, has not made charges, but has simply tendered these matters to the Senate for its consideration.

Senator Sanderford: I raise a point of order, that the witnesses have not all been questioned and the evidence is not all in, therefore this is out of order.

The Chair: It is the pleasure of the Committee.

Senator Rawlings: I move the adoption of the resolution.

Senator Blackert: I move again my substitute motion that this Committee holds itself subject to the order of the Chair.

Senator Pace: I move to table the substitute.

The Chair: You hear the motion to table the substitute. All in favor of tabling the substitute of Senator Blackert let it be known by saying aye, opposed no.

(The vote was taken and the result being uncertain a roll call was ordered, but before the roll call was made the following proceedings were had:)

Senator Collie: Mr. President, before we proceed further with this matter I would like to ask that we get the recommendation of the Board of Managers of this matter. We turned it over to them and I would like to ask for their recommendation before we proceed further.

The Chair: The Senator from Eastland has asked for the recommendation of the Board of Managers. Have you gentlemen any recommendation to make?

Senator Woodruff: With reference to this member of the Board of Managers I will say this: that at the time this hearing was begun I stated that I had given some thought and made some inquiry about the matters then pending, and that I knew of nothing happening to lend any sort of credence to the apparent alarm that had been sounded by the Governor, but that at that time the Attorney General's assistant was here and was fa-



miliar with some of the transactions sought to be inquired about, and that I thought he could explain those things satisfactorily to the Senate. I was of the opinion then that no evidence could or would be adduced tending to establish any charge implied or expressed in the Governor's message. I am still of that opinion. After having listened to the witnesses that have been before the Senate prior to this time, as far as I am concerned, as one of the members of the Board of Managers, I think the resolution of the Senator from Tyler is entirely timely and proper.

Senator Woodward: I adopt as a part of my statement the statement as made by the Senator from Wise, and in addition I refer to my statement made on the day we started this investigation as the balance of my statement. I further state that I am going to vote for the resolution as offered by the Senator from Smith, which I think answers the question.

The Chair: May I call on Senators Martin and Redditt, who are members of the Board of Managers?

Senator Martin: Mr. President, it is unnecessary for me to repeat my position all the way down with reference to this matter. I stood here and was voted down, one to twenty-eight, that we refuse to go into this matter. My ideas are at variance with the ideas of the Senator from Wise. I am thoroughly convinced that under the law the Highway Department did not have authority, regardless of any kind of agreement, to force these counties to go into debt or create an obligation against the county. The law is very specific as to how these funds shall be deposited when collected. There is no need of my expatiating on that. My understanding is that the Senator from Brenham, if I am not mistaken, has some few questions he desires to propound to some of the auditors. Am I right about that, Senator?

Senator Stone: If we are going into the whole thing, I have, but if we are going to stop and not go down the line there is no use in going further.

Senator Martin: I would like to ask if there is any Senator who would desire to propound any question to any witness. I am inclined to be in sympathy with the idea advanced by the Senator from Victoria, that we recess indefinitely, and if something should develop it would be easy to call

a committee together and make an investigation.

The Chair: Has any Senator anything to offer? You are acquainted with the resolution of Senator Pace, and the Senator from Eastland has asked whether you are in accord with that resolution or whether you have any additional testimony to offer.

Senator Redditt: I have no additional testimony to offer. If anybody else has any I do not have any objection to their offering it, however, I do not desire to prolong the hearing. I think we have heard all there is to it.

Senator Blackert: I am not going to talk or challenge the statement of the Senator from Coleman or the Senator from Wise. My idea is to protect the Senate against any future charge, that is my only reason for making this resolution.

Senator Woodward: I understand your position exactly and I am not antagonistic to the motion but let me make this suggestion, that insofar as this matter is concerned the resolution says let us close it and make a report to the Senate. Now then if this is carried and if the Senate, when it convenes, which cannot be until tomorrow, wants to adopt that resolution there is nothing to prevent you from moving that the Committee of the Whole be continued as such subject to the call of the Chair, then if any outside matters come up the Committee of the Whole can act. Or it would not be difficult if any matter came up for us to resolve ourselves into the Committee of the Whole and investigate it. I don't think that defeats your idea.

Senator Blackert: I think so. It seems to me that the adoption of this motion terminates this committee, and I challenge that particular part of it. I have no objection to the committee of adopting the recommendation on the advice of the Managers. I don't think this record has shown any malfeasance on the part of the Highway Commission.

Senator Woodruff: This observation with reference to the motion of the Senator from Victoria; as has been suggested by the Senator from Coleman, this committee has that authority to continue its existence. In the second place we have an expensive staff of reporters here, whose disposition we have no authority in the committee to act upon. That would

necessarily have to come in the Senate. I just suggest this to the Senator from Victoria with the hope that he will withdraw his motion and let the resolution of Senator Pace come up directly; then when you get back in the Senate if he renews his motion with reference to keeping this organization alive and makes provision to suspend the payment of reporters, in order to keep it alive I will vote with him.

The Chair: I think all this discussion is out of order. We had taken an aye and no vote, and then the roll call was asked for and I think we had better call—

Senator DeBerry: This is one investigation that I don't think is complete until I have had something to say before you finish taking that vote. I don't think any good could come out of this investigation as a whole. This is one bright spot that I have had; I have been sick most of the time and I have been out of this. All of the members of the Board of Managers say they haven't gotten anything and yet we are afraid to get away from this investigation. God knows I want to see it terminated right away because it is the easiest thing in the world the way we rush into these investigations when there is any show of any trouble. All anything—anybody—has to do is to wave a red flag and we will start an investigation.

Senator Blackert: I think the Senator is right. We are ready to rush into things at the mention of some rumor. And that is the reason I want to keep this Committee alive. I think if this Committee is held here it will hold down some of these rumors.

Senator Oneal: What is the question?

The Chair: On the motion to table the motion of the Senator from Victoria. The Senator's motion that the committee recess and report progress to the Senate and that the Committee as a Whole stay in session and meet subject to the call of the Chair. The Secretary will call the roll to table. Let each Senator, as his name is called, vote aye if he is in favor of it and the opposed, no.

(The roll was called by the Secretary and the vote tabulated.)

The Chair: There being twenty-three ayes, five noes, the motion to table is adopted. The question comes up on the adoption of the resolution of the Senator from Smith.

Senator Sanderford: Mr. Chairman, may I make a statement?

The Chair: The Senator from Bell is recognized.

Senator Sanderford: It seems it has been the habit of several to get statements into this investigation. I want to remind the Board of Managers that I, too, opposed the investigation, and that the Senator from Coleman, and the Senator from Wise were the ones that moved to bring it about, and now, that we have got into it, and now that we are getting on some pretty tender spots, I think they realize they have got a hot brick and want to drop it. That's exactly what I think about it.

We have established conclusively here a thirty thousand dollar loss in one contract. The State Highway Department have done nothing about it and have not even given the Attorney General information where he could recover. We have established the fact of the loss in the Athens bank. We have established facts by an expert witness on the value of bonds, so qualified and not objected to or denied by anybody that he was an expert on the value of bonds, if there is one at that time; that there is at this time a loss of over a million dollars in the Security Trust Company Bank down there, and now, I want to pass a resolution here saying that there is nothing to criticize the Department for, and I leave it to the Senator from Wise, to the Senator from Coleman or the Senator from Dallas.—I don't believe that those gentlemen, even with all their prejudice against Ferguson, can conscientiously vote for it and say that there is nothing to criticize them for.

Senator Purl: Why single out four of us, when all of your troops have been routed except five.

Senator Woodul: And two of those I don't think are going to vote with him.

Senator Sanderford: I may vote with you myself but I want to contest it and register my objection.

Senator Martin: I want to object to what the Senator from Dallas is saying. I have changed four.

The Chair: The Senator from Bell has the floor.

Senator Sanderford: I single out those three, Senator from Dallas, because it's those three Senators that regardless of the person or purpose that's offered by the Ferguson administration, regardless of how good

it is, they work against it under any condition. That's the reason I single those out. Is that plain?

Senator Purl: Yes, plain — —

Senator Sanderford: (interrupting) Acts speaks louder than words.

Senator Purl: I rise to a point of order. I think if my remarks are stricken from the record that you ought to have the remarks of the Senator from Bell stricken out.

The Chair: Let's proceed with the discussion.

Senator Sanderford: Now, if the resolution offered stopped the investigation it would have been all right, but the wording of the resolution is not right, not in accordance with facts in the case, and there is not a Senator in the house who ought to support it, because there are no facts that will support the resolution. I want to object to it and offer as a substitute that the Senate stop the investigation.

Senator Moore: Point of order.

The Chair: State the point.

Senator Moore: The substitute motion has already been voted down.

Senator Woodul: Just one second. I want to say a few words about this. I think that if Ferguson has anything good they will be for it. The Senator from Harris has listened to these matters here, and when he hasn't listened he has read it in the record and I have found nothing in there to censure the Highway Department. If there is anything in there for which the Highway Department might be censured I haven't seen it and I am going to vote for it and if the Senator from Bell stays here long enough he will learn lots.

Senator Woodruff: Now, gentlemen of the committee, ordinarily I shouldn't take the time of the Senate to reply to such remarks as made by the Senator from Bell. If the Senator from Bell will refresh his memory he can readily find that he is in error when he imputes to the Senator from Dallas, the Senator from Wise and the Senator from Coleman that they are so blindly prejudiced as not to support anything that has heretofore been suggested by the administration, or that we will hereafter do the same thing. The Senator from Bell will know that each of those three Senators named as well as particularly the Senator from Wise, has heretofore

supported nominations of the administration to this Senate, and I don't have to call his attention to it. He knows already that the Senator from Wise has supported suggestions and recommendations of the administration, and for his benefit I will say that I expect to support other recommendations if they seem to be worthy of my support and command the dignity that the Senate ought to support them. I don't want word to go out from this Committee over the State of Texas that the Senator from Wise is down here blindly and unreasonably opposing the administration for its entirely erroneous representation made to the State of Texas.

Senator Woodward: Following an old Spanish custom I want to rise in self defense. I don't care what the Senator from Bell says about we would have voted against anything Ferguson wants, because I have voted for some things he wanted and the Senator from Bell knows it. I see standing over yonder a gentleman with whom I went to school, and I have known him since he was a boy. I helped to confirm him as Chairman of the State Live Stock Sanitary Commission. He was Governor Ferguson's choice. And I have voted for others. During this administration I am going to vote for many measures he will advocate, and some I will not vote for. I don't care what the Senator from Bell says, and as the Senator from Harris said, when the Senator from Bell has stayed here long enough he will find he will go down in defeat lots of times, and he will come up victorious lots of times, and he had just as well learn to take those things. I am sure the Senator from Bell is peeved a little bit because he sees this investigation hasn't revealed all these wonderful charges that have been rumored around, and that the Highway Commission has just about been found not guilty and the verdict is bound to be with them. And I will not resent what he said. I get mad sometimes and lose my temper and say things I ought not to say. If he will forget those things we will get along better,—we will get along fine.

Senator Sanderford: Is my substitute motion ruled out of order?

The Chair: We have voted on that already.

Senator Sanderford: Not on my substitute.

Senator Moore: I raise the point of order that the substitute has been voted down.

Senator Purl: May I be heard?

The Chair: The Senator will address himself to the merits of this resolution, and nothing else.

Senator Purl: I am not going to. I have served in the House ten years and over here two years. I haven't knowingly impugned the motives of anyone at any time. I challenge any man to show me where I have ever said one unkind word about Mrs. Ferguson as Governor of this State. I challenge anyone to show me where I have said anything about James E. Ferguson that was not in the record. I do say, and I call attention of my friend from Bell County, that when we started this investigation he made a speech against it and voted for it. I made a speech for it and voted for it. Now, to show you whether the Senator from Dallas is fair, I beg the Senator from Bell to listen. I spent some time this afternoon, some time yesterday, preparing what I considered was a fair way of disposing of this matter, in order that we could devote our time to other legislation, and I will take the time to read it, and I think I can get through in two minutes, but it will be two minutes by the clock, as the Senator from Red River says, and not an estimate. Here is the way I figure to end this matter for all concerned, Senator from Bell:

Whereas, The Committee of the Whole Senate has had under consideration matters brought to its attention by special message from the Governor of the State concerning the fiscal affairs of the Security Bank and Trust Company with special reference to its being a county depository for several counties of this State, as well as letters written by the Honorable Cone Johnson, State Highway Commissioner, to the Attorney General, asking for opinions concerning the status of the bonds held by the Security Bank and Trust Company or under their control; and

Whereas, The Committee of the Whole has considered matters as reported in the State Auditor's report concerning the operation of the Highway Department; and

Whereas, Assistant State Auditor

Frank Carter, who was in charge of auditing the State Highway Department testified, as reported on pages 526 and 527 of the Senate Journal that after auditing the Department he found only a shortage of a total amount of \$194.18, which represents a shortage of two employees, one in Falfurrias in the amount of \$90.72 and the other one a shortage in Del Rio in the amount of \$103.46. Said Assistant State Auditor further testified that the audit consumed approximately a year and a half from the time it commenced until the audit closed at a cost of \$39,539.99 and again that the total amount of \$194.18 covered the shortage found out of the millions of dollars that they are charged with the responsibility of spending, therefore be it

Resolved, With these facts in mind that the Committee of the Whole rise and report progress to the Senate and beg leave to recommend the following:

That we find no evidence on the part of anyone connected with the Highway Department in an executive capacity, or otherwise, with the exception of the shortages as reflected by the Auditor's report in Falfurrias and Del Rio matter that would indicate any shortage, fraud or embezzlement and we further find that the Security Bank and Trust Company is under the supervision of the State Banking Commissioner and not the State Highway Department of the State of Texas; and we further find that the County Commissioners of different counties are charged with the duty of selecting the individual County Depository and the Highway Department under the law had no voice in the selection of a County Depository, and

We further recommend that no further time be spent in investigating the Highway Department by the Committee of the Whole, but that the entire matter be referred to a joint committee to be composed of the Banking Committee and the Committee on Highways and Motor Traffic and that any member of the Senate be permitted to furnish any evidence or summons any witnesses before the said joint committee at a time as may be determined by the said joint committee;

We further recommend that the President of the Senate designate one member of the Senate who is at this time a member of the Banking

or Highways and Motor Traffic Committee to act as chairman of the said joint committee and that the said joint committee be and it is hereby authorized to form rules as to procedure as it sees fit, subject to the rules of the Senate and the present rules as set up by the Committee of the Whole as to compensation of witnesses, employees, etc.

We further recommend that said joint committee by a majority vote may continue or conclude its hearings for whatever period of time in its judgment is necessary, provided, however that a report of said joint committee shall be made on or before the last three days of the regular session of the Forty-third Legislature, at which time the Senate shall determine whether to discharge the committee or to continue said committee as it sees fit.

Senator Purl: Now, I leave it to Brother Senators. I don't ask you to adopt this because you have got the Pace resolution, but I ask the Senate to judge me and to judge that report and see whether or not by that report I have any stinger in my system, or any venom in my system, or would try to whitewash anything, or try to bring any kind of hearing to an abrupt close. I talked with one of the Board of Managers during the noon hour as to whether or not we should let the Banking Committee, or the Highways and Motor Traffic Committee see if anybody had any more evidence to offer. I am not going to take up any more time. I have come up here to the front and listened to every word of the testimony, and I leave it to my Senators whether or not my conduct, whether or not my efforts and fair play, in give and take, or study of measures, having a part in them as I see fit, of attending these meetings, will show whether or not I am worthy to be a member of this Senate and to be treated with proper respect and courtesy,—for a Senator to say just because Jim Ferguson, or the Governor of this State, sends a message, that I am so biased that I cannot see any merit in it. I remind you, Senator from Bell, that I served during the administration when she was Governor before. I have seen governors come and have seen governors go. I served under

Pat Neff. I served under Dan Moody. I served under Mrs. Ferguson. I served under Ross Sterling. I am now serving under Mrs. Ferguson again, and I challenge anyone to take the record and show where I have cast a vote not for the best interest of Texas as I see it. I might have made mistakes, but I am not up here impugning motives. I have nothing to do with closing the hearing here today, or making the motion, but I did draw this up believing it would be the fair way to determine it in view of the fact that we have so many measures in committee. I give it for what it is worth, but I hope the Senator from Bell County will be a little bit more temperate, and not just because he has lost out for him to single us out and say we are prejudiced against somebody.

(Thereupon the vote was taken on the motion by the Senator from Tyler, which carried.)

Senator Martin: I want the record to show I vote for the motion with a reservation with reference to the last paragraph.

Senator Parr: I want to vote for that like the Senator from Hill,—a reservation with reference to that last paragraph.

Senator Russek: I vote Aye with the same reservation as the Senator from Hill.

Senator Sanderford: I pair with Senator Neal. I vote No and she votes Aye.

Senator Stone: I have the same reservation as the Senator from Hill.

### THIRTY-SECOND DAY.

Senate Chamber,  
Austin, Texas,  
February 28, 1933.

The Senate met at 9:30 o'clock a. m., pursuant to adjournment, and was called to order by President Pro Tem. Walter Woodul.

The roll was called, a quorum being present, the following Senators answering to their names:

Beck.	Holbrook.
Blackert.	Hopkins.
Collie.	Hornsby.
Cousins.	Martin.
DeBerry.	Moore.
Duggan.	Murphy.
Fellbaum.	Neal.
Greer.	Oneal.